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In the United States
Circuit Court of Appeals
For the Ninth Circuit.

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RESEARCH PRODUCTS Co., LTD., a corporation, CALIFORNIA PRODUCTION Co., a corporation, HENRY BRANHAM, ARTHUR J. DIETRICK and ABRAHAM M. HERBSMAN,
Appellants and Defendants,
vs.

THE TRETOLITE COMPANY, a corporation and TRETOLITE COMPANY OF CALIFORNIA, LTD., a corporation,
Appellees and Plaintiffs.

APPELLANTS' BRIEF.

ARTHUR C. BROWN,
FRANK L. A. GRAHAM,
811 West Seventh Street Bldg., Los Angeles,
Attorneys for Appellants.

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No. 9058.

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

RESEARCH PRODUCTS CO., LTD., a corporation, CALIFORNIA PRODUCTION CO., a corporation, HENRY BRANHAM, ARTHUR J. DIETRICK and ABRAHAM M. HERBSMAN,
Appellants and Defendants,

vs.

THE TRETOLITE COMPANY, a corporation and TRETOLITE COMPANY OF CALIFORNIA, LTD., a corporation,
Appellees and Plaintiffs.

APPELLANTS' BRIEF.

STATEMENT OF THE CASE.

Patent Case.

This is a suit in equity for alleged infringement of United States Letters Patent. (Jurisdiction in District Court and this Court, U. S. C. A., Title 28, Sec. 41 and Sec. 225-227.) Plaintiffs, in their bill of complaint filed November 3, 1933 [R. p. 4] originally charged infringement of three Letters Patent, to-wit:—

No. 1,223,659, dated April 24, 1917, for "Treatment of Crude Oil."

No. 1,467,831, dated Sept. 11, 1923, for "Process for Treating Petroleum Emulsions."

No. 1,596,589, dated August 17, 1926, for "Process for Treating Petroleum Emulsions."

Plaintiffs on December 28, 1933, filed their Bill of Particulars [R. p. 11] specifying claims 1, 2, 4, 7, 8, 9 and 10 of patent No. 1,467,831 and claims 1, 3, 5, 7 and 8 of patent No. 1,223,659 as the claims upon which they would rely as infringed, and specified defendants' chemical reagent, Hydrate 488, as that of the several compounds manufactured and sold by Research Products Co., Ltd., under supervision of Abraham M. Herbsman and the sale to California Production Co., Henry Branham, and/or Arthur J. Dietrick of Hydrate 488 with the knowledge and intent that the same was to be used by said last named defendants for the purpose of removing water or emulsion from cut oil to have constituted the infringement charge against defendants, Research Products Co. Ltd., and Abraham M. Herbsman, and the use of said reagent by defendants, California Production Co., Henry Branham and/or Arthur J. Dietrick, to have constituted the infringement charged against said last named defendants.

Defendants, California Production Co., Henry Branham and Arthur J. Dietrick, filed their separate, joint and several answer January 20, 1934. [R. p. 16.]

Defendants, Research Products Co. Ltd., and Abraham M. Herbsman, filed their separate, joint and several answer, and on October 26, 1934, filed amended separate, joint and several answer [R. p. 73], including counterclaim [R. p. 98] alleging unfair competition because of plaintiffs' allegedly unwarranted notices of alleged infringement of plaintiffs' patents sent to defendants' customers.

The case was, on November 23, 1934, referred to David B. Head, Esq., as Special Master, by stipulation. [R. p. 127.] Hearing before the Special Master was be-

gun on March 6, 1935, and continued from day to day until April 5, 1935. [Report of Special Master; R. pp. 128, 129.]

At the beginning of the hearing the master, at plaintiffs' request, dismissed the bill as to patent No. 1,596,589. [R. p. 128.]

On June 27, 1936, the Special Master filed his report [R. p. 218] stating in his conclusions that [R. p. 151]:

(3-4) Letters Patent No. 1,223,659 (expired April 24, 1934), and particularly "claims 1, 3, 5, 7 and 8 thereof" were "valid," but "not infringed."

(5) Letters Patent No. 1,467,831, and particularly "claims 1, 2, 4, 7, 8, 9 and 10 thereof are good and valid in law."

(6) The defendants California Production Co., Arthur J. Dietrick and Henry Branham had "infringed" said claims "by using the process of said patent in the treatment of crude oil emulsions with the treating agent Hydrate 488."

(7) The defendants Research Products Co. and Abraham M. Herbsman had "contributed" to the "infringement" of said claims of Letters Patent No. 1,467,831 "by selling to the California Production Co. the treating agent Hydrate 488, with the knowledge and intention that it be used in the infringing process."

Regarding defendants' counterclaim the master ruled [R. pp. 153-154] that his report was made without prejudice to the defendants' right of action thereon; that any relevant evidence received on the issues in the case could be considered in the case on the counterclaim, and that the counterclaim was off calendar but may be reset for the taking of further testimony upon motion.

Defendants filed exceptions to the parts of the master's report finding patent No. 1,223,659 valid and patent No. 1,467,831 valid and infringed. [R. p. 155.]

Plaintiffs filed no exceptions to the master's report.

The District Court, on March 2, 1938, filed its memorandum of conclusions [R. p. 171] overruling defendants' exceptions to the master's report and awarding a decree to plaintiffs holding patent No. 1,223,659 valid but not infringed and patent No. 1,467,831 valid and infringed.

On July 9, 1938, the Court entered its findings of fact and conclusions of law. [R. p. 178.]

Before a decree had been entered the Supreme Court of the United States (on January 3, 1938) handed down its decision in *Leitch Manufacturing Co. v. Barber Company*, 302 U. S. 458, 82 L. Ed. 371, and defendants, on May 17, 1938, petitioned the District Court to reopen the case for further argument in view of said decision. [R. p. 191.]

Plaintiffs having proposed an interlocutory decree; defendants having objected to said decree [R. p. 193], and the court having denied defendants' petition and overruled defendants' objections to said decree [R. p. 195], said decree was entered on July 9, 1938. [R. p. 186.]

Thereupon this appeal was taken.

The Parties.

Plaintiff, The Tretolite Company, a Missouri Corporation, owns the patents in suit. [R. p. 128.] The other plaintiff, Tretolite Company of California, Limited, is a subsidiary company through which The Tretolite Company does business in the Southern District of California.

The defendants Henry Branham, Arthur J. Dietrick and the California Production Company are sued as direct

infringers by reason of the alleged use of the processes of the patents. Research Products Co., Ltd., and Abraham M. Herbsman are sued as contributory infringers by reason of the alleged sale of a product, known commercially as Hydrate 488, to the other defendants for use in the alleged infringing process. [Master's Report, R. p. 128.]

Subject Matter of the Patents in Suit.

The subject matter of patent No. 1,467,831 (the only patent now involved) is a *process* of treating petroleum oil emulsions, known variously as emulsion, cut oil or b. s. (bottom settlings), with chemicals to break the emulsion and permit recovery of the oil from the emulsion.

Crude oil wherever produced from underground sources usually is accompanied by water which is usually present:

First, as loose emulsion of water and oil which can be broken by heating, or sometimes merely by long settling.

Second, as tight emulsion, which can be broken only by heating to high temperatures, by mechanical centrifuging, by electrical charge or by use of chemicals, followed by settling.

The present case has to do with breaking of the emulsions with chemicals.

General Statement.

Prior to filing application for patent No. 1,467,831 (the only one here involved and referred to herein as the "modified fatty acid" patent), William S. Barnickel had received two other patents for treating petroleum oil emulsions for the same purpose. *All three of the patents involve the same process or method steps* of introducing a relatively small quantity of a chemical, into a mass of the

emulsion, to break the emulsion, allowing the mass to separate into an upper stratum of oil and a lower stratum of water and drawing off the oil from the water to recover the oil. (Patent No. 1,093,098, Def. Ex. W-1, Book of Exs. p. 433; Patent No. 1,223,659, Pltf. Ex. 1, Book of Exs. p. 1; Patent No. 1,467,831, Pltf. Ex. 2, Book of Exs. p. 7.)

The reagent of patent No. 1,467,831 is an unpatented material and is stated as a "modified fatty acid," derived from a fatty acid by the reaction of a reagent thereon to produce a substitution or addition product thereof.

The reagent of patent No. 1,223,659 is an unpatented material and is stated as a "water-softening agent capable of precipitating the alkaline earths present in the emulsion."

Claims 1, 2, 4, 7, 8, 9 and 10 of patent No. 1,467,831 are relied on by plaintiffs. Claims numbered 1, 2, 4, 7 and 8 define the treating chemical or agent used in the method or process as "a modified fatty acid as herein defined." Those numbered 9 and 10 define it as "a solution containing sulfo-fatty acid" or as a "sulfo-fatty acid."

Plaintiffs have been under the difficulty of expanding the claims of the patent to include defendants' agent. Although the record is encumbered with extensive analyses, and with abstruse theories, facts developed at the trial permit determination of most of the technical questions involved by application of laws of merely elementary chemistry or by simple reasoning.

Although Barnickel, when filing his application, drew his claims to extreme breadth to cover treatment of oil with any agent which would destroy the films about the oil droplets in an emulsion, he found it necessary from time to time to cancel various claims, such as those pertaining to a neutralized material, sulfonated oils, etc. Finally, he was allowed, as his agent, an agent necessarily obtained from a fatty acid which has been modified by reaction with a chemical capable of producing a substitution or addition product of that fatty acid so as to retain the fundamental characteristics of said fatty acid. This product, resulting from chemical treatment of a specific parent material, a fatty acid, had to retain the fundamental characteristics of an acid,—a fatty acid.

The defendants in manufacturing their agent employ an entirely different parent material, castor oil, which is a glyceride and not a fatty acid. [R. pp. 313, 465.] The evidence shows that nowhere during the reaction of this parent material with defendants' reagent, fuming sulfuric acid, is a fatty acid produced. [R. p. 148; Def. Ex. "I", Book of Ex. pp. 401-2.] Defendants, therefore, do not modify a fatty acid to produce a "modified fatty acid," and defendants' product, therefore, cannot come within the scope of the patent. Moreover, defendants' product is a neutralized material, a fact not denied by plaintiffs. A neutralized product was specifically excluded from the patent.

Plaintiffs [R. pp. 472, 449-450] recognizing that they could not bring defendants' agent under the patent by

direct proof, resorted to syllogistic fallacies, asserting that Turkey Red oil was the generic agent of the “modified fatty acid patent” [R. pp. 1112-14] and that since a certain sulfo-fatty acid could be used as a Turkey Red oil, that therefore a material that could be used as a Turkey Red oil was a sulfo-fatty acid and also a “modified fatty acid.”

The fallacy of this reasoning lies in the fact that the term, “Turkey Red oil” includes agents, which are not sulfo-fatty acids, or fatty acids modified as required by the patent. The Master supported plaintiffs’ Turkey Red oil contention and held that—“Commercially, it (Hydrate 488) may be classified as a Turkey Red oil.”

The term “Turkey Red oil” is, however, nowhere to be found in the “modified fatty acid” patent.

As to Barnickel attaining a universal compound, neither Barnickel nor his associate chemists were ever able to attain their objective of a single compound for treating all of the different kinds of roily oil and bottom settlings. The plaintiffs now have available and employ, selectively, not less than one hundred different compounds for treating different oils, and plaintiffs state—“It is still a fit and try test, * * *.” [R. p. 508.]

SUMMARY OF ARGUMENT.

Defendants contend:

- I. That patent No. 1,467,831 is void and invalid:
 - (a) for indefiniteness;
 - (b) for abandonment of the invention;
 - (c) as to claims 1, 2, 4, 7, 8, 9 and 10, inclusive, for anticipation;
 - (d) as to claims 1, 2, 4, and 7 to 10, inclusive, for lack of invention;
 - (e) as to claims 1, 2, 4, 7, 8, 9 and 10, inclusive, for double patenting.
- II. That defendants did not jointly or severally infringe the patent, or contribute to infringement thereof, and particularly claims 1, 2, 4 and 7 to 10, inclusive, thereof, or of any of said claims.
- III. That the suit cannot be maintained even if the patent were valid, because to do so would give a limited monopoly of an unpatented staple article of commerce.
- IV. Because of its error in holding the patent in suit, and particularly claims numbered 1, 2, 4, and 7 to 10, inclusive, valid and infringed, the Court was in further error in ordering recovery, injunction and costs against the defendants, and in not dismissing plaintiffs' bill of complaint.

ARGUMENT.

POINT I.

Patent No. 1,467,831 Is Void and Invalid

(a) For Indefiniteness:

When Barnickel filed his application for said patent he stated that he had discovered [Deft. Ex. "B", Book of Exhibits, pp. 311-313]:

"* * * that the permanency of such (petroleum) emulsions is due to the fact that they consist of minute globules of oil surrounded by a film, envelop or membrane of a colloidal substance, the surface tension of which is sufficient to prevent coalescence of the oil globules, * * *"

and that he had:

"* * * devised a process for treating petroleum emulsions that contain relatively large amounts of water and which are of a permanent nature, that consists, briefly stated, in *modifying by chemical action* the colloidal substance or emulsifying agent that surrounds the minute globules of oil, thereby destroying its surface tension and liberating the minute globules from their protective envelopes or films, and permitting them to coalesce and form larger bodies of oil which rise to the top of the mass, the water, brine and other foreign matter settling to the bottom. This can be accomplished with various chemical agents or reagents, either chemicals that are dissolved and consumed during the process, or chemical catalytic agents that produce a change in the colloidal substance merely by being in proximity to same." (Italics ours.)

The Examiner ruled [Deft. Ex. "B", Book of Exhibits, p. 333]:

"* * * The mere fact that the applicant has discovered a new theory of operation of the emulsion breaking reagents does not entitle him to a patent."

After a lengthy prosecution, Barnickel managed to circumvent the Examiner's objections to his theory with regard to "*modifying by chemical action* the colloidal substance or emulsifying agent" [as quoted above from Deft. Ex. "BB"] by changing his terminology to the use of a "modified fatty acid".

The Master and plaintiffs have stated that the classification of "modified fatty acid" included innumerable chemical compounds. Plaintiffs' expert Dr. Morse, testified that Barnickel's reference to esters included innumerable esters [R. pp. 1095-96], coming under three distinct types of esters [R. pp. 1073-75] and that the patent did not state which to use. [R. pp. 1095-1102.] Dr. Morse also testified as follows:

"Q. How many fatty acids are there?

A. I would have to look it up to find out. I don't think anybody knows quite how many there are."
[R. p. 1104.]

"Q. By Mr. Brown: Well, how many certain substituting chemicals or reagents are there?

A. I don't know." [R. p. 1107.]

Plaintiffs' expert, Monson, testified [R. pp. 433-434] that a large number of substitution and addition products could be made from fatty acids,—that more than one hundred such compounds could be made from two of the fatty acids, and did not know what limit there might be to the number of such substitution and addition products (modified fatty acids).

The Master in his report [R. p. 141] states:

"It ('modified fatty acid') includes a large class of the products of reaction between fatty acids and reagents. * * *"

The Master also recognized the inadequacy of the specification when he stated in his report [R. p. 144]:

“The specification does not teach the method by which the treating agent or agents are to be manufactured, * * *.”

These requirements of the statute have been recognized by the courts and particularly by our own Circuit Court of Appeals in the case of *Metals Recovery Co. v. Anaconda Copper Min. Co.*, 31 Fed. (2d) 100, 103, Dietrich, Circuit Judge, speaking for the Court, stated as follows:

“(1, 2) No one of the four claims in suit names a specific substance, but each purports only to describe a class. In the light of the admitted facts, we are of the opinion the description is too indefinite and comprehensive. The number of substances falling within it is enormous—in excess of 250,000. Of these Perkins tested only a small percentage, and in such tests he found but few collectors thought to be effective under any conditions. Out of many, selected as being representative and tested by experts in preparing the case for trial, but few disclosed valuable collecting properties. To say that appellant is claiming only such substances within the class description as are in fact good collectors is to beg the question. To obtain the monopoly afforded by a patent, the patentee is required to disclose what he has found, and not merely suggest that something may be found by further and extensive experimentation. A generic monopoly must rest upon a generic discovery; and this Perkins did not make. We entertain no doubt that the claims come under the condemnation of the *Incandescent Lamp Case*, 159 U. S. 465, 16 S. Ct. 75, 40 L. Ed. 221, and other decisions therein cited, and also of the recent case of *Corona Cord Tire Co. v. Donovan Chemical Corporation*, 276 U. S. 358, 48 S. Ct. 380, 72 L. Ed. 610.”

Other cases, see Appendix pages 2-3. 7-13

Defendants showed that twenty-three chemical substances admitted as “modified fatty acids” by plaintiffs [R. pp. 721-727] would not break the emulsion of California Production Company’s Davis No. 2 well, though used in double quantities as compared to Hydrate 488. [Deft. Exs. “P” and “Q”.] Moreover, the crude oil emulsion tested is the emulsion to which plaintiffs have alleged infringement. Among the “modified fatty acids” tested were various esters of the class shown by plaintiffs’ expert as the type of simple ester of patent No. 1,467,831 [R. pp. 1073-74]. This test also included a type of sulfo-fatty acid, called toluenesulfonyl acetic acid, as well as a salt of a sulfo-fatty acid called sodium sulfo-acetate.

Many so-called “modified fatty acids” will not serve at all to secure the result required of the patented process, and that under the accepted rule, this constitutes adequate proof of *indefiniteness* and *invalidity* of the patent.

Plaintiffs’ experts were not able to agree on what constitutes a “modified fatty acid”, despite their familiarity with the patent and its file history. [R. pp. 423, 457, 470, 574, 1071-72, 1112.] Moreover, the definition for “modified fatty acid”, formulated by plaintiffs’ experts for the purpose of this suit, is nowhere to be found in the patent.

Plaintiffs’ expert, Monson, testified [R. p. 423]:

“Q. By Mr. Brown: What do you understand to be meant by the term ‘modified fatty acids’?”

A. I referred to a modified fatty acid as an addition or substitution product of a fatty acid, which still that is, the product in the free form, contains the COOH group, and the product still retains the long carbon chain which was present in the original fatty acid.

The Master: Do you know of any text writer, any place in the literature, where you can find such definition of a modified fatty acid?

A. Not that I know of.”

Plaintiffs' expert, Dr. Morse, testified [R. p. 1112]:

“Q. By Mr. Brown: Where do you find modified fatty acids classified in the literature?

A. I don't remember seeing the term in the literature.

Q. What is your definition of the term?

The Master: What is your definition of the term as you find it used in the patent, Dr. Morse?

A. I should say it meant one which has been altered or changed without the complete destruction of its original structure, using the general understanding of the meaning of the word 'modified'.

Q. You don't find that definition in the patent specification, though?

A. No.”

Dr. Morse thereby showed that in his understanding of “modified fatty acid”, destruction of the original structure of the fatty acid takes place, though not completely. This is substantiated by defendants' witness, Herbsman, who testified [R. pp. 660-661] to the breaking down of the carbon chain of the fatty acid, iso-caproic acid, below its boiling point by treatment with sulfuric acid.

The above testimony with respect to definition of “modified fatty acid” does not conform to the statement in the Court's “Memorandum of Conclusions” [R. p. 174]:

“* * * that the definitions given in the testimony of plaintiffs' experts are in agreement with the definition of said term as specified in said patent,
* * *”

The injected definitions are not the same as given in the patent. Even plaintiffs' own experts disagreed as to defining a modified fatty acid as shown in their quoted testimony. *These facts* alone show the patent as indefinite and thereby invalid.

Plaintiffs now attempt to limit their patent to the higher fatty acids despite the fact that such limitation does not appear in the patent and that their expert Dr. Morse testified [R. p. 1105]:

“Q. Does the patent make any division among the fatty acids?”

A. Not that I know of.”

In an effort to circumvent this admission, they contended that the term “aliphatic acids” was used to denote the lower fatty acids, while the term “fatty acids” was used to apply only to the higher fatty acids. Plaintiffs' expert, Monson, however, testified [R. p. 428]:

“Q. By the Master: What does ‘aliphatic’ mean?”

A. Aliphatic, as I understand it, and I am no Greek scholar, is derived from the Greek meaning fatty. * * * the aliphatic chemistry which is the chemistry of the chain compounds, such as the chain compounds which we have been discussing.

Q. By Mr. Brown: Is acetic acid an aliphatic acid?

A. Acetic acid is an aliphatic acid.

Q. Do these authorities you have quoted agree in placing acetic acid in the general classification of fatty acids?

A. I do not understand your question, Mr. Brown. If you mean by ‘fatty’ aliphatic, they do agree that acetic acid is a fatty acid.”

Monson also testified [R. pp. 432-433] that stearic acid and palmitic acid are fatty acids from which soaps are

made and that they are found under the general classification of fatty acids in the acetic acid series beginning with acetic acid.

The Master in his report states [R. p. 140]:

“Lewkowitsch (Vol. 1, pp. 113-114) gives a classification of the fatty or aliphatic acids beginning with acetic acid,”—

but since there is only one carbon in the radical of acetic acid and therefore no carbon chain, the Master, in order to conform to the definition of modified fatty acid demanding a long carbon chain stated [Report, R. p. 142] that Barnickel:

“* * * did not intend to include acids such as acetic acid * * *.”

within the classification of “modified fatty acid.”

On cross-examination, defendants’ expert, Dr. Born, testified [R. p. 836] that when one wants to refer *only* to the higher members of the series, he always says “higher fatty acids” and does not use the term “fatty acid” alone. Dr. Born also testified [R. p. 835] that acetic acid occurs (in not a very large amount) in oil of parsley and other natural oils and fats, and this evidence was not refuted by plaintiffs. As to the Court’s “Memorandum of Conclusions” [R. p. 172] with regard to acetic acid, it is submitted that no evidence was given as to whether oil of parsley would or would not be considered as an emulsion treating fluid or whether or not acetic acid could be produced therefrom by simple hydrolysis. Defendants’ testimony showed acetic acid a fatty acid, and as pointed out heretofore, plaintiffs’ admissions and the Master’s statements, as well as the literature, also disclose that acetic acid is a fatty acid.

The patent makes no distinction as to any particular fatty acid to be used for making a “modified fatty acid,” nor does it show that the fatty acid to be used must possess a long carbon chain radical,—and the patent is therefore indefinite and thereby invalid.

Plaintiffs, in Their Present Stand That Turkey-Red Oil Is the Agent of the Patent, Admit That the Modified Fatty Acid Patent Is Indefinite. The Term, Turkey-Red Oil, Is Not in the Patent.

The Master and plaintiffs designate patent No. 1,467,831 as the “Modified Fatty Acid Patent,”—*not* the Turkey-Red Oil Patent,—and say that “Turkey-red oil” is supposed to be the agent of the patent [R. pp. 1051-56, 1087-89, 1112-14], regardless of the fact that there is no mention of *the term* in the patent.

Barnickel knew of the availability of Turkey-red oil in 1913. [R. p. 898.] He could have used the term, “Turkey-red oil”, if he so desired, when he applied for his water-softener patent No. 1,223,659 in 1914 and when he applied for his modified fatty acid patent No. 1,467,831 in 1919. It follows—

- (1) That Barnickel purposely avoided the use of the term “Turkey-red oil” as defining his agents in both patents No. 1,223,659 and No. 1,467,831.
- (2) That plaintiffs’ attempt to now inject the term, “Turkey-red oil” as defining the agent of patent No. 1,467,831, emphatically shows said patent as being indefinite.

Under their Turkey-red oil interpretation, plaintiffs attempted to limit their patent to materials made only by reaction with sulfuric acid [R. pp. 1092-94] despite the fact that the term “sulfuric acid” is not to be found in

the patent. [R. p. 1107.] The Master, however, stated in his report [R. p. 141]:

“It (modified fatty acid) includes a large class of the products of reactions between fatty acids and *reagents* * * *.” (Italics ours.)

Sulfurized fatty acids are specifically referred to by Barnickel in the specification. (Patent No. 1,467,831, p. 2, line 15.) Dr. Morse, as expert for plaintiffs, did not know how to make sulfurized fatty acids [R. pp. 1093-94, 1119], but upon being shown the preparation thereof in Lewkowitsch, was forced to concede that sulfurized fatty acids are prepared by the action of sulfur at higher temperatures upon a fatty acid or by the action of sulfur chloride at lower temperatures, *not by the action of sulfuric acid*.

Moreover, Deft. Exhibit “AA”, as well as Plaintiffs’ Exhibit 13 [Book of Exhibits, p. 23, bottom of page], disclose sulfo-fatty acids, not made by reaction with sulfuric acid.

There is no reference whatever to Turkey-red oil in the specification of the patent.

Revised Statute, Sec. 4888 (U. S. C. A. Title 35, Sec. 33), requires:

“Before any inventor or discoverer shall receive a patent for his invention or discovery he shall make application therefor, in writing, to the Commissioner of Patents, and shall file in the Patent Office a written description of the same, and of the manner and process of making, constructing, compounding, and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art or science to which it appertains, or with which it is most nearly connected, to make, construct, compound, and use the same, * * * and he shall particularly point out

and distinctly claim the part, improvement, or combination which he claims as his invention or discovery.”

In the case of *Solva Waterproof Glue Co. v. Perkins Glue Co.*, 251 Fed. 64-69 (C. C. A. 7th Cir.), the Court stated:

“Nothing but experiment avails in the successful production of the glue base. If the patent were for the preparation of a proper glue base from entirely raw starch, it may be the processes of the two patents in suit might be valid. As it is, we see no disclosures which entitle appellee to a patent for any of his claims for the manufacture of a glue base. It is a hit or miss formula and not such a disclosure to those skilled in the starch glue or adhesive art as would enable them to practice its manufacture without experimentation. They may not be required to resort to experimentation. *Panzl v. Battle Island Paper Co.*, 138 Fed. 48, 53, C. C. A. 474; *General Electric Co. v. Hoskins Mfg. Co.*, 224 Fed. 464, 140 C. C. A. 150; *Chemical Rubber Co. v. Raymond Rubber Co.*, 71 Fed. 179, 182, 18 C. C. A. 31. The patents in suit disclose no advance upon the prior art in the creation of a proper glue base. That must be discovered anew on each occasion.”

See also the cases of:

Health Products Corporation v. Ex-Lax Mfg. Co., Inc., 22 Fed. (2d) 286 (C. C. A. 7th Cir.);

Nat'l Chemical & Fertilizer Co. v. Swift & Co., 100 Fed. 451.

The patent must be construed as written and construed to fix the scope and nature of the invention as the invention was disclosed and understood at the date of filing of the application for it.

(b) **Abandonment of Invention** (by Barnickel's Prior Public Use).

The interference proceedings (Def. Exs. "C" and "C-1"), definitely show patent No. 1,467,831 invalid because of abandonment by prior public use as shown by Barnickel's admissions of his work in various instances in 1914 and prior and subsequent thereto.

In his amended preliminary statements in both interferences [R. pp. 884-887] Barnickel said:

"That he reduced the said invention to practice prior to October, 1914, and that since then he has manufactured and sold large quantities of chemical treating agent for practicing the process defined in the issue of this Interference."

"That subsequently and prior to October, 1914, he reduced his invention to practice, made numerous demonstrations of the process defined in the issue of this interference, and prepared written descriptions of said demonstrations."

In his amended preliminary statements he fixed the date prior to which he had reduced the invention to practice as October, 1914, and the date since which he had manufactured and sold large quantities of the agent as "*since then,*" *i. e.*, since October, 1914. (Italics ours.) This can only mean that according to Barnickel's sworn statement the agent had been sold in large quantities since beginning in October, 1914.

Testifying in the interference proceedings he said [R. p. 905]:

"When I reduced the invention of one of these Interferences to practice I reduced to practice the inventions of both interferences. This was in the latter part of February of 1914, at Tanaha, Oklahoma,

where I installed a plant for treating bottom settlings and cut oil for the Mt. Vernon Oil Co. on their property there. The President of the Mt. Vernon Oil Co. came to see me in St. Louis, Feb. 19, 1914, regarding the difficulties he had been having with their oil at Tanaha. I made a contract with him on Feb. 20, 1914, to treat his oil by my process covered by my patent No. 1,093,098 and by the invention which was subsequently patented by my patent No. 1,223,659. A few days after this contract was made I went to Tanaha and began the installation of a treating plant. Under this contract I furnished the chemicals used in treating their oil and I was reimbursed for these chemicals by this company at the cost to me, and the contract particularly stipulates that I need not furnish an itemized statement of the chemicals purchased by me but must furnish a sworn statement before a Notary Public on the money spent by me in purchasing these chemicals.’”

Barnickel further testified [R. pp. 891-2] :

“I was treating oil for the Texas Company and for several other smaller companies, on a commercial scale.

“During the winter of 1914 I made a trip to Oklahoma to put in a plant for treating oil with sodium oleate, and while there treated a number of barrels with oleic acid alone, sulfo-oleic acid, and a mixture of phenol, sulfuric acid and oleic acid, with a view to seeing which of these worked best on larger quantities.”

In his testimony in the case of *Lehman, et al. v. Producers & Refiners Corp.* (18 Fed. (2d) 492), Barnickel testified (Deft. Ex. D, pp. 58, 59) :

“After working again with the Texas Company they allowed me to put a large experimental plant on

one of their leases in the Cushing field. I did this at my own expense. I wanted to determine for myself which of the formulae, which I had been experimenting with, would be best to use generally on a large scale in treating these oils. At this plant I made up various mixtures; I built a little laboratory there so that I could do my work accurately.

“The reason I was so anxious and active in this was that there was going to waste 50,000 barrels of oil per day, of this kind of oil. I took this matter up with the officials of the Texas Company and they had agreed to build steel storage tanks of 55,000 barrels capacity and back me up in the project of saving all of this oil because they contemplated that by fall of that year oil would be worth a dollar, a barrel. It is a fact that in the spring of that year, 1915, oil was worth only about twenty or thirty cents a barrel.

* * *

“I was not able to get any product manufactured, and I made every test and experiment on a large scale, on the scale of 4000 barrels per day; that was the size of my plant. * * *

“I gave all of the oil which I recovered in the experimental plants to The Texas Oil Company to burn in their boilers; I did not receive a cent for it. I was doing this to determine experimentally what was the best process. *I carried this plant on for a period of about six months.*” (Italics ours.)

Certainly the treatment of 4000 barrels per day for a period of about six months is commercial scale operation,—regardless of whether or not Barnickel termed it experimental.

Barnickel’s testimony in the *P. & R.* case (Deft. Ex. “D”) thus lends further emphasis to his reduction to practice disclosed in the interference proceedings. (Deft. Ex. “C”.)

The interference matter was received in evidence as admissions against interest, and so constitutes undisputed evidence for defendants' showing of abandonment.

Barnickel testified [Def. Ex. "C", R. p. 907]:

"* * * a sulfo-fatty acid, as defined in the counts of these two interferences is acid. * * *"

and admitted under oath that he had sold large quantities of this chemical treating agent as defined in the issue of the interference. The record shows [R. pp. 592, 593, 616, 619, 622, 1001] that Barnickel used caustic soda as a neutralizing agent in 1914 and prior thereto. It is apparent that he could have used a neutralized product in 1914 wherever he wished,—but for the purpose of prevailing in the interferences, he found it necessary to show commercial use of a "sulfo-fatty acid *as such*." In awarding Barnickel the issue in interference,—*a sulfo-fatty acid as such*, patent for which was first applied for by Dons, the examiners in the interference proceedings necessarily limited inquiry and findings as to whom was the first inventor of the claims in interference and not as to validity. And so they said [R. p. 955]:

"We think any delay on the part of Barnickel either in filing his application or in making use of sulfo-fatty acid sold commercially is immaterial to a decision in this interference."

After Barnickel had prevailed in the interferences, he then attempted to obtain claims on "neutral products" and "neutralized products" [Def. Ex. "B," Book of Exhibits, p. 373], but these were rejected with the statement by the patent examiner:

"These terms are not found in the original disclosure and should hence be cancelled."

This conclusively shows why Barnickel did not show reduction to practice to a neutralized product in his interference proceedings.

Whether Barnickel's reduction to practice at Tanaha in 1914 [R. p. 892] was in connection with a compound or agent made up by Barnickel with material purchased by himself in small lots or with a compound or agent which he made up from red oil and caustic soda shipped to him by Goodwin Manufacturing Company and Henry Heil Chemical Company, of St. Louis, Missouri, in large quantities on several occasions, is immaterial, particularly in view of plaintiffs' Turkey-red oil interpretation.

Mr. Bakewell, Barnickel's attorney in the interference proceedings, admitted in his statement to the Examiner of Interferences that the use of the sulfo-fatty acid compound of patent No. 1,467,831 had been in commercial use.

The agent, admittedly used in commercial quantities by Barnickel for treating oil for the Mt. Vernon Oil Company at Tanaha, Oklahoma, in 1914, was compounded by Barnickel on the property from red oil made by Goodwin Manufacturing Company with caustic soda purchased from Henry Heil Chemical Company and shipped to Barnickel from St. Louis, Missouri. [R. pp. 592-595, 961, 962, 1001.]

This red oil used by Barnickel consisted of oleic acid extracted from tallow or grease, including preliminary treatment with a sufficient quantity of sulfuric acid [R. p. 998], and to which was finally added 2% by volume of strong sulfuric acid. [R. pp. 977, 998, 1002, 1003.]

Plaintiffs' expert, Dr. Morse, testified [R. pp. 1115-1116] that the addition of 2% by volume of concentrated sulfuric acid to a fatty acid (such as oleic acid) would produce a sulfo-fatty acid.

Used alone as sulfonated oleic acid or reacted with caustic soda to form a neutralized product, this, according

to plaintiffs' own witnesses, was sulfo-fatty acid or Turkey-red oil constituting the treating agent of patent No. 1,467,831.

Monson, plaintiffs' expert chemist, testified:

“* * * Turkey-red oils range from oil containing only small amounts of organically combined SO_3 , in other words, relatively small amounts of sulfur containing acids, to other oils which contain relatively large amounts.” [R. p. 443.]

“* * * Sulfonated oil refers to the origin of the material rather than to a specific component of it; and sulfonated oils are those oils which are obtained by the action of sulfuric acid on a fatty acid in free or combined form.” [R. p. 445.]

“I have read from one reference which says that Turkey-red oils practically free from sulfur acids may be as effective as those rich in sulfur.” [R. p. 447.]

The red oil or oleic acid which Barnickel neutralized with caustic soda in making up his treating agent, used commercially at Tanaha in 1914, was Turkey-red oil within the meaning of the term ascribed to it by plaintiffs in attempting to bring both the modified fatty acid patent No. 1,467,831 and defendants' agent Hydrate 488 within that term for proof of infringement.

J. E. Brammer, secretary, and J. L. Carey and George B. Orr, stockholders, in the Mt. Vernon Oil Company, witnesses called by plaintiffs, but whose depositions were offered by defendants, testified that Barnickel did not throw away any of the oil which he had treated, but turned it all into good oil which was sold, regardless of the amount or character of chemical he used. [R. pp. 1006-1016, 1176; 1204-1207.]

John S. Lehmann, Barnickel's associate and president of the Tretolite Company, testified that the red oil or oleic acid which Barnickel bought from the Goodwin Manufacturing Company was not billed as such, but as "number so and so of some compound" and that Barnickel had a contract [Def. Ex. "Y"] with the Mount Vernon Oil Company for a percentage of the oil which he treated for them: that Barnickel didn't get the actual oil but received his percentage of the purchase price of the oil when the Mt. Vernon Oil Company had sold it and received payment for it. [R. p. 594.]

John Croft, a witness called by plaintiffs, testified [R. pp. 1155-1159] that Barnickel treated the Mt. Vernon oil with a red liquid, which he took directly from the barrels that were shipped him and that he pumped this red liquid gradually into the oil, while the oil was being circulated from one tank to the other.

Although Barnickel's sworn statements, as "Admissions Against Interest," constitute evidence requiring no corroboration, the foregoing, aside from being corroborative, lends further emphasis to Barnickel's commercial use of his alleged invention of the modified fatty acid patent in the years 1914, 1915, 1916, and 1917.

It is therefore submitted that the modified fatty acid patent No. 1,467,831 is invalid by reason of abandonment by prior public use.

In *Wailes Dove-Hermiston Corporation v. Oklahoma Contracting Co.* (C. C. A. 5th Cir.), 56 Fed. (2d) 143, 144, Walker, Circuit Judge, held:

"The patentees publicly used the patented method in coating fifty miles of pipe in a job in which about eighty miles of pipe were coated. That job was commenced in the latter part of June, 1926, and was finished the first week of December, 1926. The coating was done under a contract which provided for it

being paid for at a stated price per lineal foot. The contract price for the coating in which the patent method was used, amounting to over \$70,000, was promptly paid when the job was done. It is quite apparent that the main purpose of the just mentioned use of the method in question was for profit, and that a purpose to make the job a means of testing the durability of a coating by the patented method of large pipe buried underground was merely incidental. Such a public use of the method in business and for profit more than two years prior to the application was a bar to the applicant's right to a patent. 35 U. S. C. A., Sec. 31; *Smith & Griggs Mfg. Co. v. Sprague*, 123 U. S. 249, 8 S. Ct. 122, 31 L. Ed. 141. *Andrews v. Hovey*, 123 U. S. 267, 8 S. Ct. 101, 31 L. Ed. 160."

Other cases, see Appendix page 17.

Abandonment by Suppression of the Invention.

Should this Court determine that Barnickel's use of his invention was not a public one, then it follows that the modified fatty acid patent is invalid by Barnickel's secret use for profit.

From Barnickel's own testimony given in the interference proceedings referred to, and from that of John S. Lehmann, president of plaintiff, The Tretolite Company, before the Special Master, it appears conclusively that Barnickel had complete conception of the process covered by patent No. 1,467,831 at least as early as his conception of that of his previous "Water Softener" patent, *i. e.*, in the spring of 1913, but intentionally refrained from application for patent for it until forced to do so through fear of losing his rights to it to others whom he learned were seeking patent for it.

In his amended preliminary statement in Interference No. 43290 [R. p. 887] in which the modified fatty acid patent was involved, Barnickel said:

“That he conceived the invention defined in the issue of this interference during the Spring of 1913; disclosed the said invention to others at that time and also prepared a written description of said invention at that time.’”

Also in his testimony in said interference [R. p. 899] Barnickel said:

“A. I disclosed it first to Mr. J. S. Lehmann of St. Louis, about the latter part of April, 1913, and soon thereafter to Mr. H. L. Nickel, of St. Louis. I also disclosed it to the chemist at Waltke Soap Co. of St. Louis, whose name I do not remember now, and later, in the same year, during the summer, of 1913, I disclosed it to Carl G. Hinrichs, who is one of the parties opposed to me in this Interference.’”

Barnickel's suppression [R. pp. 905, 906, 914] of knowledge of the process from the public from November 19, 1914, when he filed application for his “water softener” patent, until January 4, 1919, when compelled to file application for patent No. 1,467,831 to prevent others from securing patent for it, constitutes abandonment of the invention rendering issuance thereof invalid.

Such suppression of the invention for six years after its conception, and particularly for the five years after his application for the “water softener” patent in which the more specific form of the invention should have been disclosed if Barnickel were acting in good faith, constitutes an attempted extension of the patent monopoly beyond the statutory term which the law does not permit. Issuance of patent No. 1,467,831 having been thus in-

tentionally delayed has given Barnickel and his successors, the present plaintiffs, a monopoly on the process for five years beyond that to which they were entitled.

In *Macbeth-Evans Glass Co. v. General Electric Co.* (C. C. A. 6), 246 Fed. 695, 697, 699, 700, Warrington, Circuit Judge, said:

“(1, 2) The question is whether one who has discovered and perfected an invention can employ it secretly more than nine years for purposes only of profit, and then, upon encountering difficulty in preserving his secret, rightfully secure a patent, and thus in effect extend his previous monopoly for the further period fixed by the patent laws * * *.

“When Macbeth perfected his invention in 1903 he and his company evidently concluded to control and use it for purposes of profit, and to work out these ends by practicing the invention in secret and placing the product on public sale. The plain object of such a course was to exclude others from using the invention and to secure its benefits for themselves. The adoption of this course signified by necessary implication a belief that the nature of the invention would enable them in this way to protect it for a substantial period of time, if not for a longer time than could be secured under the patent laws. The result shows that their belief was justified for a period of nearly ten years. True, it is admitted and rightly that the inventor and his company adopted and pursued this plan with knowledge that the invention, as already pointed out, furnished them no protection against use by others who might honestly discover it. This, however, inevitably concedes an intent either to abandon the right to secure protection under the patent laws, or to retain such right and if necessity

should arise then to obtain through a patent a practical extension of any previous exclusive use (secured through secrecy) into a total period beyond the express limitation fixed by those laws * * *.

“When a patent expires, the right to practice the invention thus becomes available to everybody. The object of such a limitation and disclosure was to secure to the public the full benefits of patented objects as speedily as was consistent with reasonable stimulation of invention. If then we assume that the course adopted by the present inventor and his assignee did not contemplate an intent to abandon the right to secure a patent, it certainly did contemplate an indefinite delay in disclosure of the invention and a practical and substantial enlargement of any period of monopoly recognized by statute. Can it be doubted that this was opposed to a declared and subsisting public policy?”

Other cases, see Appendix pages 14-16.

- (c) Anticipation;
- (d) Lack of Invention;
- (e) Double Patenting.

The British patent No. 4481 of 1906 [Def. Ex. W-15, Book of Exhibits, p. 465] and the British patent No. 11,877 of 1906 ^{TO LANZA STAL} [Def. Ex. W-16, Book of Exhibits, p. 471] have been considered together by the Master [R. p. 143] and will be treated likewise here.

The British patent No. 4481 [Def. Ex. W-15] describes in detail the sulfo-oleic acid process for separating the liquid olein from solid stearin and gives a method of manufacture for sulfo-oleic acid. The process is sum-

marized on page 1, lines 11-12 of the British patent as follows:

“The said process utilizes a property of sulfo-oleic acid whereby the separation of the oleic acid from the solid fatty acids is effected.”

The British patent No. 11,877 shows *the substance* to be *separated* as constituting an *emulsion*. [P. 1, lines 5-11; Book of Exhibits, p. 472.]

“This invention has for its object filtering apparatus that is generally applicable for separating the substances *constituting an emulsion* and when one of the substances consists of solid matter in a fine state of subdivision, and is of a character tending to choke the interstices of the filtering medium such as wire gauze and the like.” (Italics ours.)

And specifies the use of sulfo-oleic acid (*a sulfo-fatty acid*), as a means of separation [p. 2, lines 15-22]:

“When it is desired by means of the above described apparatus to separate stearine from olein by means of the sulfo-oleic acid process, a suitable quantity of finely divided fatty acids is laid upon the filtering surface and is washed several times with acidulated water at 2° Be, to which is added a small quantity of sulfo-oleic acid, the whole being maintained at a temperature of 25° C. The olein is thus separated and passes thru the filter together with the water, while the small crystals of stearine are retained upon same.”

In referring to this patent, the Master in his report [R. p. 143], stated that:

“If an emulsion is formed it is after washing with the acid.”

It is submitted that there is no foundation for such a statement. It requires no knowledge of chemistry to be able to read simple statements (such as quoted from the Lanza patents) to the effect that there is an emulsion to be separated and that it is separated on a filtering apparatus by washing with a solution of sulfo-oleic acid. The emulsion is there prior to the treatment with sulfo-oleic acid. Nothing is said about an emulsion being formed after this step. Nevertheless, the Master ignored defendants' showing and included this unfounded statement in his final report.

The court, however, recognized defendants' contention, when it stated in its "Memorandum of Conclusions" [R. p. 175]:

"It further appearing that although *sulfo-oleic acid* is mentioned in the British patent to Lanza in connection with the *separation of an emulsion* of solid stearine in the liquid olein, * * *" (Italics ours.)

but then continues in its interpretation of what was stated publicly by Lanza in 1906 as *an emulsion* that could be *separated by use of sulfo-oleic acid* was not an emulsion, because one of the constituents of said emulsion was not a liquid.

It is needless to say that these two Lanza patents show the state of the art, by the statements therein relative to separating the constituents of an emulsion and thereby their particular adaptation to this case. One, reading that sulfo-oleic acid (a sulfo-fatty acid) would separate the constituents of an emulsion, would immediately turn to sulfo-oleic acid as a means of separating a crude oil emulsion. It is common knowledge in the oil fields that some oil field emulsions are pumped out of the ground in the semi-solid state and that most bottom settlings are semi-solid [Pltffs. Ex. 52, Book of Exhibits, p. 99], containing either paraffin, wax or asphaltum. With heating, these emulsions and bottom settlings become oils in the

same manner as butter and stearine become oils on the application of heat. Even one not skilled in the art, would try sulfo-oleic acid to separate a crude oil emulsion, upon reading that sulfo-oleic acid would separate an emulsion, such as described in the Lanza patents.

Barnickel has therefore shown nothing new about separating emulsions that was not already known many years before he applied for his patent. That the stated emulsion is not of the crude oil type is immaterial, as anyone wishing to break a crude oil emulsion would readily apply the teachings of the Lanza patents for the solution of his problem. Barnickel, himself, testified that in attempting to discover an agent for breaking crude oil emulsions he turned first to his previous experiments in resolving emulsions of codliver oil. [Def. Ex. C, pp. 3-4; Def. Ex. D, p. 52.]

Patent No. 1,467,831 is therefore void for lack of invention in view of the showing of these patents.

In *Remington Rand Business Service, Inc. v. Acme Card System Co.* (C. C. A. 4th Cir.), 71 Fed. (2d) 634-5, Soper, Circuit Judge stated:

“It is not necessary, however, for the purpose in view, that the Anchell patent be considered a complete anticipation to the patent in suit. *It is sufficient that it suggests to one interested in the problem the means of solving it.*” (Italics ours.)

The Rogers Patent.

The patent to Rogers on “Treatment of Emulsion Oils” [Def. Ex. W-8, Book of Exhibits, p. 439] was applied for January 26, 1918, and granted April 1, 1919.

It is hard to reconcile the Master’s statement regarding the Rogers patent [R. p. 143]:

“This patent was applied for after the effective date of the Barnickel invention and for that reason can not anticipate,”

with his statement regarding Barnickel's invention of the modified fatty acid patent on page 24 of his report that [R. p. 147]:

“For the purpose of this case it can be assumed that the reduction to practice was the filing of his application for the patent.”

If the “effective date” of Barnickel's modified fatty acid patent be, as assumed by the Master, to-wit, January 4, 1919, Barnickel's filing date, then the Rogers patent (which was applied for January 26, 1918), is a *valid reference*, and the Barnickel patent is not only void for lack of invention, but is also anticipated by the Rogers patent, on plaintiffs' own interpretation of their patent. On the other hand, if the date, 1914, is shown as the effective date of the modified fatty acid patent, then this patent is invalid under the defense of abandonment.

Although defendants are accorded the privilege of availing themselves of inconsistent defenses,

Specialty Brass Co. v. Sette, et al., 22 Fed. (2d) 964 (C. C. A. 7th Cir.);

Walsh v. Wahl Co., 25 Fed. (2d) 350,

it can readily be seen that in this case, the only thing that may appear as inconsistent with regard to the above stated defenses is with respect to what constitutes *the effective date* of Barnickel's modified fatty acid patent. Defendants maintain that the patent is invalid under either the 1919 or the 1914 date, as referred to above.

In certain instances, plaintiffs have argued that what differentiates the fatty substances of their modified fatty acid patent from the fatty compounds of their prior water softener patent, is the *sulfo* portion of the fatty compound of their modified fatty acid patent. Plaintiffs' expert,

Monson, shows in his chart [Pltffs. Ex. 17, Book of Exhibits, p. 31; R. pp. 349-350, 369] the "*Sulfonic Type of Sulforicinoleic Acid*," containing the sulfo or sulfonic acid grouping— SO_3H as distinguished from the fatty acid "*Ricinoleic Acid*," which does not contain said sulfo-acid grouping.

Therefore, plaintiffs must admit that Rogers pointed out this sulfonic or sulfo-acid grouping, when in describing his treatment of emulsions of mineral oil and water, he stated [Def. Ex. W-8, Book of Exhibits, p. 439, lines 17-26]:

"* * * Sulfonic acids suitable for this use are now produced in considerable quantities in the treatment of high viscosity oils with fuming sulfuric acid * * *. I prefer to employ the sodium salt of such a sulfonic acid, which may be obtained by the direct neutralization of the acid with commercial sodium carbonate (normal)."

Petroff [Def. Ex. "B-B," Book of Exhibits, p. 515] also shows the sulfonic acids produced by sulfonation of mineral oil as sulfo-acids.

Furthermore, Barnickel, in his original claim 13 [Def. Ex. "B," p. 13; Book of Exhibits, p. 329] classified sulfonic acids of mineral oil and their salts as derivatives of the fatty acids in the following words:

"any derivative of the fatty acids, such as their salts, esters, ketones, sulfonates, sulfo-aromatic compounds, sulfurized fatty acids, organic sulfonic acids of mineral oils and their salts." (Italics ours.)

It is therefore submitted that under plaintiffs' assertion of January 4, 1919, being the effective date of their modified fatty acid patent, that said patent is void for lack of invention.

With plaintiffs maintaining Turkey-red oil, with its inclusion of *neutralized products and salts* as the agent of their modified fatty acid patent, the patent to Rogers constitutes a complete anticipation.

In addition to his specification, Rogers in an affidavit [R. p. 1090] filed as part of his application on April 25, 1918, said:

“Test #4. * * * Another sample of the same B. S. was treated with turkey red oil in the proportion of two pounds to the barrel. This was heated at a temperature of 150° F. for one and one-half hours. At the end of this time there was practically a complete separation of clear oil and clear water. The sample of B. S. so treated has been marked Sample #4.”

Plaintiffs' expert, Dr. Morse, also testified [R. p. 1137] that he classified sulfonic acids produced by the sulfonation of mineral oil as sulfonated petroleum acids. Lewkowitsch and Petroff [Def. Ex. “BB,” Book of Exhibits, p. 513] classified such acids as Turkey-red oil.

Rogers also conforms to plaintiffs' inclusion of salts of sulfonic acids as the agent of their modified fatty acid patent by his claim 4 [Def. Ex. W-8, Book of Exhibits, p. 440], which reads as follows:

“4. The method of treating emulsions of mineral oil and water which consists in adding thereto the water-soluble salts of sulfonic acid produced by the sulfonation of mineral oil and maintaining the mixture at an elevated temperature until stratification takes place.”

Thus, according to plaintiffs' own contention, the Rogers patent forms complete anticipation of the modified fatty acid patent.

The Russian Patent to Berkgan.

The Berkgan patent was admitted in evidence as Defendants' Exhibit W-11 [Book of Exhibits, p. 441], by the Master over plaintiffs' strenuous objections, the Master stating fully his reasons for accepting same, as follows [R. pp. 790-791]:

"I am inclined to think that you have substantially complied with the old rule as to the proof of foreign public documents. You have a certificate bearing an unintelligible signature, and then you have the certificate of Mr. Shakhov, whom the Vice Consul of the United States states was authorized to sign for the Chief of the Consular Bureau of the People's Commissariat for Foreign Affairs, duly commissioned and qualified, to whose official acts faith and credit are due. There is the consular certificate."

The Russian patent to Berkgan shows on its face that it was granted on the 30th day of April, 1914, and the pertinency of this foreign patent was recognized by counsel for plaintiffs, as it is the only foreign patent that plaintiffs refused to stipulate as to the introduction of unproven copies.

The Master in his report [R. p. 142] states:

"Berkgan was dealing with the same problems as Barnickel."

The Berkgan patent discloses the use of naphthenic acids of the type recovered from sulfuric acid treatment in the refining of mineral oil [Def. Exhibit W-11; Book of Exhibits, pp. 457-459], for separating crude oil emulsions. Rogers [Def. Exhibit W-8, Book of Exhibits, p. 439] shows that the sulfuric acid treatment of mineral oil produces sulfonic acids, while Schmitz [Def. Ex.

W-18, pp. 14-15 of translation] also shows that the type of naphthenic acids which Berkgan proposed to employ for breaking crude oil emulsions contain sulfo-acid derivatives as follows:

“In fact the naphthenic acids are obtained directly after the refining with sulfuric acid and are, as it is claimed by many authors, a mixture of ordinary naphthenic acid with sulfo-acid derivatives.”

As shown under the discussion of the Rogers patent (This Brief, pp. 34-35), the prior use of sulfo acid derivatives of mineral oils for separating crude oil emulsions, renders the modified fatty acid patent void for lack of invention. The Russian patent to Berkgan, being granted April 30, 1914, thereby invalidates the modified fatty acid patent No. 1,467,831.

Having taken the position that Turkey-red oil is the agent of their patent, plaintiffs cannot escape finding of anticipation on the same premise.

By plaintiffs' own theory, if the naphthenic acid, constituting Berkgan's treating agent, is a Turkey-red oil, the Berkgan patent is an anticipation of the modified fatty acid patent.

Plaintiffs' expert, Dr. Morse, includes sulfo-acids among the Turkey-red oils [R. p. 1055]. Moreover, the naphthenic acids, which Berkgan proposed to use, are shown in Lewkowitsch [Defts. Ex. "BB", p. 215] and in the supporting reference attached thereto (British patent to Petroff No. 19,759 of Oct. 29, 1913) as a Turkey-red oil. Lewkowitsch states that [Def. Ex. "BB", Book of Exhibits, p. 513]:

“The production of Turkey-red oil by sulfonating the petroleum acids (naphthenic acids) has been patented by Petroff.”

The Berkgan patent [Def. Ex. W-11] is therefore, according to plaintiffs' own theory and argument, a complete anticipation of patent No. 1,467,831.

THE APPLICATION OF VARIOUS UNPATENTED CHEMICALS TO THE KNOWN PROCESS OF BREAKING EMULSIONS IS NOT INVENTION, BUT DEPENDS UPON THE SKILL OF THE CHEMIST.

As shown heretofore, the prior art, such as the Berkgan patent and Barnickel's expired sulfate and water-softener patents disclose the process of treating emulsion. It then falls upon the chemist to determine the type of chemical to use for the particular emulsion to be treated. Finding out which chemical material is best suited for treatment of said emulsion is not invention—particularly if the chemical itself is not a new or patented material.

Plaintiff offered in evidence the article by Sherrick with regard to the treatment of crude oil emulsions, as Plaintiffs' Exhibit 52, wherein [Book of Exhibits, p. 97] is stated the following:

“The type of emulsion formed by any given oil with water depends primarily upon the nature of the emulsifying substance. Bancroft has explained this from the standpoint of surface tension. In a general way, however, the following applies: An oil-in-water emulsion is formed by the use of a water-soluble colloid as emulsifier; a water-in-oil emulsion is formed by the use of an oil-soluble colloid. * * *.”

“* * * Certain water-soluble colloids, such as sodium oleate and the sodium salts of certain sulfonic acids render these emulsions unstable and precipitate the water if added in proper proportion. This is indeed what one might expect if the original emulsi-

fying agent were an oil soluble colloid as the action of two such colloids must be antagonistic, the one tending to form water-in-oil and the other tending to form an oil-in-water emulsion. The precipitating colloid must, however, be added in exactly sufficient quantity to neutralize the effect of the original emulsifying colloid. If too large an excess is added it may bring about simply a phase reversal, changing the emulsion from the water-in-oil type to the oil-in-water type.”

By actual experiment performed at the hearing before the Master, defendants' expert, Dr. Born, demonstrated [R. pp. 847-849] this phase reversal of changing the emulsion from the water-in-oil type to the oil-in-water type. The crude oil emulsion upon which the demonstration was made was that obtained from the California Production Company's No. 2 Well, to wit, the emulsion concerned with in plaintiffs' suit for infringement.

On cross-examination, Dr. Born also testified [R. pp. 851-52] that he could find out just how much soap solution would be necessary to break the emulsion by trying different increasing amounts thereof;—and thought that one would have to go through the stage of first breaking the emulsion originally present before getting the reversed type of emulsion [R. p. 856].

Plaintiffs' witness, Monson, then attempted to gainsay defendants' evidence of open demonstration, by reference to an involved procedure [R. pp. 1145-1148], which he said, showed that the reversed emulsion was a multiple emulsion. On cross-examination, Monson attempted to evade answering the question with respect to obtaining breaking and separation of the original *emulsion*, but finally stated that he obtained a separation [R. p. 1149].

With his knowledge of antagonistic colloids for breaking emulsions and of the various chemicals available, the chemist relies on his skill for obtaining the type of chemical material best suited for breaking and separating a particular emulsion to be treated.

It is herewith submitted that the application of chemicals,—which in themselves are not new and patented,—for use in a process which is old, is not invention, and that the modified fatty acid patent No. 1,467,831 is void for lack of invention.

In the case of *Texas Co. v. Sinclair Refining Co.*, 87 Fed. (2d) 690 (C. C. A. 2nd Cir.), the court found the patent invalid for lack of invention and stated:

“* * * The inventors had merely found a new equilibrium between factors whose action and resultant were well known. Given the need, these pointed at least to experiments out of which the right grease would inevitably be detected. No more was needed than intelligence to perceive the cause of the failure of the old ‘water grease’ to meet the new conditions, and application of the well-understood principles of grease-making. * * * The patent seems to us another instance of a kind which must become more and more common, as the arts advance in understanding and multiplication of detail, only a corollary of what had gone before, demanding no more than the competent use of knowledge already at hand. * * *.”

Double Patenting.

Barnickel, in his interference proceedings, testified that the reagents of his water-softener patent corresponded to sulfo-fatty acids and their compounds and that they were covered in his water-softener patent [R. pp. 895,

97, 910, 913, 919, 923-24], and pointed out specifically where the “modified fatty acid” process was completely disclosed in his water-softener patent.

Referring to patent 1,223,659, page 2, line 62 [Book of Exhibits, p. 4]:

“* * * oleic acid, rosin or the fatty substances from which soaps are made.”

Barnickel testified [R. pp. 910, 913]:

“This statement covers the use of a sulfo-fatty acid because it is a fatty acid from which soaps are made and in addition to that it is a suitable water softening agent.”

Then referring to claim 2 of his water-softener patent [Plaintiffs’ Ex. 1, p. 4, Book of Exhibits, p. 6]:

“* * * a soluble sulfate, a soluble silicate, a soluble soap, oleic acid, rosin or any of the fatty substances from which soaps are made, or a combination of two or more of the aforesaid chemicals
* * *.”

Barnickel testified [R. p. 919]:

“* * * that this claim doubly covered any sulfo-fatty compound because sulfuric acid is hydrogen sulfate, a soluble sulfate, and when combined with oleic acid it is a combination of one or more of the afore-mentioned substances in the claim * * *.”

Plaintiffs’ testimony shows that in Barnickel’s above quoted testimony, oleic acid is a fatty acid,—that sulfuric acid is a reagent,—and that the product of reaction of sulfuric acid and oleic acid is a sulfo-fatty acid, which plaintiffs also term a “modified fatty acid.”

Barnickel also made the following admission [R. p. 923]:

“Q. 38—Are sulfo-fatty acids water softening agents?

‘A.—Most certainly they are, as I know from actual experiments performed in my laboratory with them.’”

These admissions made by Barnickel were introduced as “*Admissions Against Interest and require no corroboration.*” Barnickel’s modified fatty acid patent No. 1,467,831, inclusive of claims 1, 2, 4, 7, 8, 9 and 10 in suit, is therefore invalid on the ground of double patenting.

As to the ruling made by the Examiner in the Interference Proceedings, *this was not as to whether Barnickel’s application for patent was valid*, but was only as to whether Dons or Hinrichs or Barnickel was the first inventor and that question *only as between the parties involved in the Interference.*

In answer to plaintiffs’ contention that the relation of the modified fatty acid patent to the water-softener patent is that of a specific agent to a generic class of water-softeners, and that, therefore, no double-patenting had occurred, the law in respect to this issue shows that even such contention cannot apply.

In *Miller v. Eagle Mfg. Co.*, 151 U. S. 186, 38 L. Ed. 121, 128,—the court stated:

“The result of the foregoing and other authorities is that no patent can issue for an invention actually covered by a former patent, especially to the same patentee, although the terms of the claims may differ;”

Cutler Hammer Mfg. Co. v. Beaver Machine & Tool Co., Inc. (C. C. A. 2nd Cir.), 5 Fed. (2d) 457, 461.

PLAINTIFFS SHOW FURTHER EVIDENCE OF DOUBLE PATENTING BY ASSERTING THAT NEUTRALIZED PRODUCTS, SALTS, AND TURKEY-RED OILS, ARE AGENTS OF THEIR MODIFIED FATTY ACID PATENT.

In the interference proceedings, Barnickel testified, in referring to claim 2 of his water-softener patent wherein is shown a "soluble soap" or "any of the fatty substances from which soaps are made" [R. p. 919]:

"* * * It (sulfo-fatty compound) is also a fatty substance from which soaps are made, and *when it is neutralized*, as is mentioned in Hinrich's testimony several times, *it is a soap.*" (Italics ours.)

Barnickel also testified [R. p. 921]:

"And sulfo-ricin-oleic acid certainly is a fatty substance, and a *salt of sulfo-ricin-oleic acid is a soap.*" (Italics ours.)

Barnickel thereby showed that what Hinrichs was trying to patent was what he, Barnickel, already had in his water-softener patent, and that therefore Hinrichs was not entitled to a patent on such neutralized products, salts and soaps. This testimony now becomes Barnickel's Admission Against Interest and thereby invalidates his modified fatty acid patent by reason of double patenting.

In the case at bar, Dr. Morse, plaintiffs' expert, testified that Turkey-red oil was the agent of the patent [R. p. 1113] and that Turkey-red oil is a soluble, textile soap of the class including Monopole soap, Ipso soap, etc.; and that if he encountered an oil field emulsion which he could not break with ordinary household soaps, he might, as a chemist wishing to practice the process of the water-softener patent in suit, turn to other soaps [R. pp. 1133-1136].

With plaintiffs contending that Barnickel's modified fatty acid patent is entitled to neutralized products and salts (which are also termed soaps [R. p. 649, 919]),—despite the rejection and cancellation of same from the claims, plaintiffs must then concede that Barnickel himself, recognized the soluble soaps as substitution products of the class described in the modified fatty acid patent when he made exception to same as of the class described by his reference (Patent No. 1,467,831, page 1, lines 93-100).

The Master states [R. p. 141]:

“*Common soaps* of the kind mentioned in the first patent (No. 1,223,659) are specifically excluded from the classification (modified fatty acid).” (Italics ours.)

The reference to soaps in patent No. 1,223,659 appears on page 2, line 58, as “*soluble soaps*”. Although the term “soluble soaps” includes common soaps as well as other soaps, such as specifically shown by Barnickel in his interference proceedings and in the specification of his patent, the term “common soaps” does not appear in either patent No. 1,223,659 or patent No. 1,467,831. ~~The~~ ^{NYT} reference to Turkey-red oil, monopole soap and iso soap as *textile* soap [R. pp. 1134-5] plaintiffs' expert, Dr. Morse, testified as follows [R. p. 1135]:

“Q. Is it (textile soap) soluble in the same sense that any soap is soluble?”

A. I think so, yes.”

Plaintiffs' Exhibit 58, page 22 [Bk. of Exhibits, p. 131] and Plaintiffs' Exhibit 62, p. 138 [Book of Exhibits, p. 185] on “Textile Soaps and Oils” show the use of rancid olive oil, containing fatty acids (oleic acid, etc.), in

admixture with an aqueous solution of sodium carbonate as "Turkey-red oil." This is identical with some of the preferred reagents of Barnickel's water-softener patent 1,223,659 [Pltffs. Ex. 1, p. 2, lines 50-69; Book of Exhibits, p. 4].

It is apparent from plaintiffs' own contention and evidence that patenting of the "modified fatty acid" process was mere repatenting of their prior water-softener patent No. 1,223,659.

Abandonment by Publication.

Should the court hold that the defense of Double Patenting fails, then the evidence there discussed together with the following clearly establishes that Barnickel abandoned his invention by publication of the same in the Water Softener Patent.

According to Barnickel's own testimony, the modified fatty acid process of his patent No. 1,467,831 is completely disclosed in his prior patent No. 1,223,659. In the interference proceedings referred to, through which he was seeking to either secure a patent on the modified fatty acid process for himself, or failing that, to prevent its issuance to his adversaries there, he testified [R. p. 919]:

"I did not think it was necessary to withhold anything from Carl because I had explicit confidence in him and in this connection I told him that any derivatives of oleic acid would treat oil, and at one time in reading over the specification which I had drawn up for the patent No. 1,223,659 I stated that in claim 2 where it says, line 2, p. 4, "a soluble sulfate, a soluble silicate, soluble soap, oleic acid, rosin, or any of the fatty substances from which soaps are

made or a combination of two or more of the aforesaid chemicals” or “a combination of one or more of same” that this claim doubly covered any sulpho-fatty compound because sulfuric acid is hydrogen sulfate, a soluble sulfate, and when combined with oleic acid it is a combination of one or more of the aforementioned substances in the claim. It is also a fatty substance from which soaps are made, and when it is neutralized, as is mentioned in Hinrichs testimony several times, it is a soap. At the College of Pharmacy where I studied chemistry under Carl’s father we always spoke of sulfuric acid as hydrogen sulfate, in speaking of chemical reactions. I therefore felt perfectly certain that sulfuric acid was covered by the words “a soluble sulfate.”

It must be kept in mind that the interference proceedings were instigated for the sole purpose of determining priority of invention of the modified fatty acid process as between the parties to the interference; the question of invalidity of the patent for prior publication or use, even by Barnickel himself was not there involved.

In pointing out his “modified fatty acid” process in his prior patent No. 1,223,659, Barnickel thereby rendered his modified fatty acid patent No. 1,467,831 invalid by reason of *abandonment by publication*.

In *King Ventilating Co. v. St. James Ventilating Co. et al.*, 17 Fed. (2d) 165 (affirmed 26 Fed. (2d) 357):

“There is some intimation in the record that the word ‘asbestone’ was Cooper’s design; but his own publication, disclosing a design more than two years prior to filing an application for a patent, is a disclosure which precludes the grant of a valid patent thereon.”

POINT II.

That Defendants Did Not Jointly or Severally Infringe The Patent or Contribute to Infringement Thereof and Particularly of Claims 1, 2, 4 and 7 to 10, Inclusive, Thereof, or of Any of Said Claims.

Defendants' product,—a sulfonated oil,—is made by reaction with fuming sulfuric acid and castor oil.

Plaintiffs' expert witness, Monson, testified that castor oil was a glyceride [R. p. 313] and also stated [R. p. 465]:

“No,—a glyceride is not a fatty acid.”

This was corroborated by the evidence given by defendant, Herbsman [R. p. 638], and by plaintiffs' expert, Dr. Morse [R. p. 1133].

The Master recognized that in defendants' material no fatty acid is present for the reagent, fuming sulfuric acid, to modify, when in his finding [R. p. 148] he stated that ricinoleic acid is not produced in the sulfonation of castor oil by the reagent, fuming sulfuric acid, in the production of Hydrate 488.

In the work by Lewkowitsch, upon whom plaintiffs have relied as an authority, this fact is also shown [Deft. Ex. “I”, Book of Exhibits, pp. 401-2], that the glycerides are not broken up into fatty acids when making sulfonated oils.

As defendants have no fatty acid to modify, their product cannot be a modified fatty acid.

On cross-examination, Herbsman testified [R. pp. 641-2]:

“Q—Referring to your answer that Hydrate 488 is not a modified fatty acid, state whether or not Hydrate 488 is the salt of a modified fatty acid.

A—*No, it is not.*

Q—You take the position that the sulfonated fatty material which forms the soap or salt constituting Hydrate 488 is not a modified fatty material, is that correct?

A—*Not* within the terminology as I have read it in the patent.

Q—Is it the salt of a sulfonated fatty acid?

A—*No; it is not the salt of a sulfonated, fatty acid.*

Q—Is it the salt of a sulfo-fatty acid?

A—*No; it is not the salt of a sulfo-fatty acid.*

Q—Do you contend that the action of fuming sulfuric acid on castor oil does not free the fatty acid from the glyceride?

A—Exactly, I contend that the action is that of dehydration.” (Italics ours.)

As to whether or not the chemical structure of the products obtained from the sulfonation of castor oil and those obtained from ricinoleic acid were identical, irrespective of what similarity in properties they might possess [R. pp. 1128-30], plaintiffs' expert, Dr. Morse, gave the following testimony [R. p. 1130]:

“Q—By the Master: These fatty acids products, even though they may have the same chemical characteristics, may differ in the chemical products—

Mr. Brown: Chemical structure.

The Master:—chemical structure they contain?

A—*They may differ in both nature and proportion, I think, in the chemical substances they contain.*” (Italics ours.)

In his report [R. pp. 146-7], the Master states that in 1913 Barnickel experimented with a treating agent made of a mixture of cotton seed oil and sulfuric acid (a sulfonated oil); that in 1914 he tried experiments which included

the treating of oil with a mixture of oleic acid and sulfuric acid (a sulfo-fatty acid); and that *it must be concluded* that Barnickel's date of conception of the use of a sulfo-fatty acid falls in the year 1914. Here, again, the Master shows that a sulfonated oil cannot be classified a sulfo-fatty acid.

Contrary to all this evidence, the Master in order to bring defendants' product within the requirements of the patent, makes the indefensible conclusion [Report, R. pp. 148-149], that

"It (Hydrate 488) is a 'modified fatty acid' in the sense that it contains substitution and addition products resulting from the action on ricinoleic acid of a reagent capable of forming such products."

The Master attempts to find support for his conclusions by referring to the alleged findings of plaintiffs' analyses as calculated on an acid basis. Aside from plaintiffs' analyses being valueless for showing infringement, it is without reason to state or infer that a substance is an acid just because analytical results can be put in terms of an acid. For instance, a content of ordinary salt, sodium chloride, can be calculated in terms of hydrochloric acid, but that does not mean that salt is hydrochloric acid. Again, the fact that hydrochloride acid can be manufactured from salt does not mean that salt is hydrochloric acid. A salt cannot be an acid. Likewise, *castor oil, a glyceride*, otherwise known as an organic salt, *is not a fatty acid*. And the action of fuming sulfuric acid upon a glyceride does not form *a substitution or addition product of a fatty acid*.

By an analytical determination, called "Iodine Number", plaintiffs attempted to show that Hydrate 488 was

an addition product. Defendants' determination for "Iodine Number" demonstrated that Hydrate 488 could not be an addition product. In spite of the fact that plaintiffs refused at the hearing, the request and offer of defendants to have the analysts of both parties carry out their determinations together or in the presence of a referee or having an outside analyst appointed by the Master [R. pp. 754-759] the Master disregarded defendants' analyses, even though plaintiffs' analyst Wirtel was forced to concede that the method used by defendants for determining the "Iodine Number", was "The Method Recommended"—the Wijs Method. [R. pp. 1044-45.] This method was used by defendants but was not used by plaintiffs. Plaintiffs were given the opportunity to prove by outside analysts, appointed by the Master, whether or not defendants or plaintiffs were correct in their analyses. Their emphatic refusal is not only a matter of record but speaks loudly of their reluctance to have the question conclusively determined.

Monson produced his analyses for Hydroxyl Number in his attempt to show the presence of sesame oil in defendants' product [R. pp. 392-393], and stated [R. p. 393]:

"The hydroxyl number exhibited by the water insoluble fatty acidic material obtained from Hydrate 488, Sample 87, could have been obtained from sesame oil acids and, specifically, from oleic acid by that direct process *and that procedure does take place.*" (Italics ours.)

This was prior to Herbsman's disclosure of his parent material. Herbsman *later testified that his parent material was castor oil.* This testimony is undisputed.

Monson showed that there is no possibility of oleic acid being obtained from castor oil, when he said [R. p. 313]:

“Castor oil is a glyceride of ricinoleic acid.”

It obviously follows that since there is no sesame oil in defendants' parent material, plaintiffs' determination for Hydroxyl Number is of no consequence in supporting plaintiffs' contention. On the contrary, it emphasizes the fact that Hydrate 488 does *not* infringe.

No knowledge of chemistry is required to ascertain that it is incomprehensible for any one to testify that a particular material had been changed in some definite way, not knowing what that certain material was in the first place.

Plaintiffs wholly failed in their attempt to show the presence of sulfo-fatty acid in Hydrate 488. Plaintiffs' expert, Monson, alleged that he had isolated sulfo-diricinoleic acid from Hydrate 488, but then could not state what the compound even looked like [R. p. 472]. He then claimed to have seen the material in solution. *No one can see a material when it is in solution*, and laying claim to such as being isolated is beyond comprehension. Moreover, Monson previously testified [R. p. 457] that it was just *his opinion* that the product resulting from the application of fuming sulfuric acid to castor oil was a sulfo-fatty acid.

At a hearing before Judge Hollzer on exceptions to the Master's report,—the court suggested [R. pp. 1209-10] that the matter of analyses be remade and attended by a disinterested, qualified expert. Plaintiffs' counsel objected to this procedure and asked that an expert be appointed in an advisory capacity in lieu thereof. This latter course was followed.

In this regard, counsel for defendants was assured that no one who had been employed by plaintiff or consulted with reference to either the water softener patent or the "modified fatty acid" patent would be assigned in said advisory capacity [R. pp. 1222-25]. Dr. Beckman of the faculty of the California Institute of Technology was thereupon appointed. As far as defendants are aware,—no written report was rendered by Dr. Beckman.

The court in confirming the Master's Report in its "Memorandum of Conclusions" makes the statement [R. p. 177]:

"It further appearing that although the defendants dispute the accuracy of the analytical methods used by plaintiffs' witnesses, particularly for the iodine number, the evidence tends to establish the reliability of plaintiffs' methods and raises doubt as to the reliability of the defendants' procedure."

Apart from the fact that defendants offered with regard to the analyses that either side or both sides make their analyses in the open in the presence of a referee or have an outside analyst appointed by the court for making these analyses and the fact that plaintiffs emphatically refused this offer,—plaintiffs *introduced in evidence* the methods of analyses used by defendants as Plaintiffs' Exhibit No. 55,—“pages 31 and 32 of 1929 Revision of the American Oil Chemist Association. Official Methods.” [Book of Exhibits, p. 21, R. p. 1034]—and Plaintiffs' Exhibit No. 41—“Hart Plan suggested as Uniform Method for Analyses of Sulfonated Oils.” [Book of Exhibits, p. 67. R. p. 759.] It is in the first of these [Exhibit No. 55] that the recommended method, the Wijs Method [R. pp. 1044-45] appears.

The evidence shows that defendants' analyses should prevail and that defendants' product does not infringe.

A Sulfonated Oil Does Not Infringe.

Barnickel at the time he filed his application requested that his application be put in interference with a pending application of Henry Dons. [Deft. Ex. "B", p. 1; R. p. 885.]

In this application, Barnickel made no mention of "modified fatty acid" [Deft. Ex. "B", pp. 2 to 14], and added, for the purposes of interference, two claims pertaining to the use of a sulfo-fatty acid, when so advised by the Patent Office Examiner [Deft. Ex. "B", pp. 17-18]. Upon being awarded these two claims of the interference, Barnickel rewrote his specification [Deft. Ex. "B", p. 27] retaining the two claims awarded him, but cancelled all of the remaining claims, *including his original claim 14, specifying use of a sulfonated oil as a treating agent.*

There is no denial that oils, such as castor oil and cottonseed oil, are chemically known as glycerides; also that a glyceride, which is sulfonated, such as used by defendants, is known as a sulfonated oil.

Knowing that an oil would not be considered a fatty acid (which fact is shown by plaintiffs' expert, Monson, [R. p. 465] "No—a glyceride is not a fatty acid,"), and claiming the reagent, "modified fatty acid," of his alleged invention as a product which had to be derived from a fatty acid, Barnickel cancelled his original claim 14, specifying a sulfonated oil, when he rewrote his specification and claims. In fact, the Master showed that a sulfo-fatty acid is not a sulfonated oil or sulfonated glyceride, when he ruled [Report, R. pp. 146-7] that Barnickel's conception of the use of a sulfo-fatty acid came in the year 1914, because *in 1914*, Barnickel had experimented with a mixture of a fatty acid, (namely oleic acid) and

sulfuric acid, in contrast to Barnickel's experimentation in 1913 with a sulfonated oil or sulfonated glyceride, namely a mixture of cottonseed oil and sulfuric acid.

The Master admits that the cancellation of claim 14 constitutes a disclaimer, when he states [Report, R. p. 153]:

“The file wrapper shows that claim 14 was cancelled because the Patent Office Examiner pointed out that it could be construed as covering sulfonated mineral oils. Its cancellation amounts to a disclaimer of sulfonated mineral oil, and nothing more.”

But no verification of the Master's statement can be found in the file wrapper that Barnickel's disclaimer of a sulfonated oil *was pointed out by the Patent Office Examiner* as covering sulfonated mineral oils only. Actually there is no basis for such statement to be found in the file wrapper [Def't. Ex. "B"], and plaintiffs have been unable to show *where* in said file wrapper there is any such ruling by the Patent Office Examiner that can support this allegation by the Master.

Barnickel disclaimed a sulfonated oil, and defendants' product, being a sulfonated oil, namely a sulfonated castor oil, therefore cannot infringe the modified fatty acid patent No. 1,467,831.

A Neutralized Product Does Not Infringe.

Defendants' manufacture of Hydrate 488 is briefly shown [R. pp. 633-634] in the five steps consisting of:

- (1) Addition of fuming sulfuric acid to castor oil;
- (2) Washing the sulfonated oil mass with water and drawing off the water;

- (3) Washing the remaining mass with sodium sulfate solution and drawing off the aqueous portion of the mass;
- (4) Neutralizing the remaining mass with aqua ammonia; and
- (5) Dilution of the neutralized mass with benzol.

The neutralized finished product is Hydrate 488.

The Interference Proceedings [Deft. Exs. "C" and "C-1"], portions of which were read into the record of this case as "Admissions Against Interest," show that the claims of Barnickel's patent No. 1,467,831 cannot be interpreted as to include a neutralized product.

After Barnickel had added, for the purpose of interference, two claims for the use of a sulfo-fatty acid, when so advised by the Patent Office Examiner [Deft. Ex. "B", Book of Exhibits, pp. 335-337], the matter was referred to the Examiners in Interference. During these interference proceedings, Barnickel testified [Deft. Ex. "C", R. p. 907]:

"* * * a sulfo-fatty acid, as defined in the counts of these two Interferences, is acid * * *."

It was for the reason that the issue did not include a neutralized product but called for a sulfo-fatty acid, *which was acid*, that Barnickel was able to prevail over Hinrichs. In awarding Barnickel priority, the Examiner in Interference stated [Deft. Ex. "C", R. p. 958]:

"Hinrichs emphasizes, and tries to show, that the present interference is limited to the use of *acid free* sulfo-fatty acid and that Barnickel had not such a substance. The issue, however, calls for *sulfo-fatty acid and not an acid free refined product*." (Italics ours.)

The claims awarded Barnickel, now claims 9 and 10 of the patent No. 1,467,831, are for the use of a sulfo-fatty acid, *not a salt* of a sulfo-fatty acid, *not a neutralized product*, but just as stated, *a sulfo-fatty acid*, which Barnickel refers to as “sulfo-fatty acid as such” [R. p. 908]. It was undoubtedly with this evidence that the Master found [Master’s Report, R. p. 146] that “claims 9 and 10 are directed *specifically* to sulfo-fatty acids.”

Plaintiffs’ expert, Monson, testified [R. pp. 450-51] that Hydrate 488 is a *neutralized* product, that it is not an acid and does not contain sulfo-fatty acids as such.

The above constitutes a clear admission by plaintiffs of non-infringement.

The file wrapper [Def’t. Ex. “B”] further shows:

- (1) That the claims of the patent are not entitled to an interpretation which will include *neutralized products*;
- (2) That the Examiner stated that the original disclosure did not include a neutralized product;
- (3) That the claims on neutralized products were cancelled after rejection by the Examiner as not supported by the original disclosure.

After Barnickel had been awarded the two claims of the interference, he rewrote his specification [Def’t. Ex. “B”, p. 27] retaining the two claims awarded him, as claims 15 and 16, but cancelling all of the remaining claims.

The implication by the Master in his report [R. p. 152] that the term “modified fatty acid” had been mentioned in the prosecution of Barnickel’s application before the decision on the interference is absolutely unwarranted. It was only after the matter of the interference proceed-

ings was closed that Barnickel introduced a new specification with his coined term "modified fatty acid" [Def't. Ex. "B", pp. 27-34].

Ruling immediately on the new specification and claims [Def't. Ex. "B", pp. 36-38, Book of Exhibits, pp. 373-7], the Patent Office Examiner stated:

"On pages 3 and 4 of the substitution for the first part of the specification, and claims 6, 9 and 10; it is not seen what is meant by 'neutral products' and 'neutralized products.' *These terms are not found in the original disclosure and should hence be cancelled.*" [Def't. Ex. "B", p. 36.] (Italics ours.)

"Claims 6, 9 and 10 are further rejected as being indefinite by reason of the expression 'such as a * * *.'" [Def't. Ex. "B", p. 37.]

Claims 6, 9 and 10 having the expression "such as a * * *" wherein is included the terms *a salt or a neutralized product* to which the Examiner referred, were cancelled or amended following the Examiner's rejection. For example claim 6 [Def't. Ex. "B", pp. 32-33] read as follows:

"6. A process for treating petroleum emulsions which consists in bringing in contact with a mass of emulsion a relatively small amount of a modified fatty acid, *such as a sulfo-fatty acid or an ester or aromatic compound of a fatty acid or sulfo-fatty acid, or a salt or neutralized product of such substances,* thereby causing the oil contained in the emulsion to separate from the water or brine and other foreign matter and rise to the top of the mass." (Italics ours.)

In accordance with the Examiner's rejection, Barnickel amended his application as follows [Def't. Ex. "B", pp. 41-43]:

(a) By cancelling claim 6, wherein the term, “modified fatty acid,” included “an ester or an aromatic compound or a fatty acid or a salt or a neutralized product of such substances,” thereby admitting that a salt or neutralized product of a sulfo-fatty acid as well as neutralized products of other fatty acid substances did not come within the term “modified fatty acid.”

(b) By cancelling from the specification “neutral products,” “neutralized products,” “their homologues, modifications and equivalents and their neutral products and salts” (Def’t. Ex. “B”, pp. 41-42), thereby admitting and emphasizing the correctness of the Examiner’s holdings.

It was really only necessary for Barnickel to cancel the claims 6, 9 and 10 pertaining to salts, neutralized products, etc., or amend said claims so that these terms would not be included therein, in order to conform with the Patent Office Examiner’s rejection. It is common knowledge in patent procedure that almost invariably the patentee is not called upon to change his specification with respect to the rejected and cancelled matter of his claims and that retaining such matter in the specification outside of the claims in no way entitles the patentee to the right or monopoly of the substance which was rejected and cancelled from the claims. Barnickel had to cancel the claims in which such terms as *esters*, *salts*, *neutral products*, *neutralized products*, etc., appeared or had to amend the claims by cancelling these substances appearing therein, because the rejection by the Examiner so demanded. Nevertheless, because Barnickel allowed the terms “ester or salt” to remain in his specification (which substance and terms were rejected and cancelled from his

claims), the court ruled in its memorandum of conclusions [R. p. 175]:

“It further appearing that a neutralized product is a salt and that the inventor, Barnickel, specifically included salts in his definition of ‘modified fatty acids,’ that is to say, although the inventor eliminated the words ‘neutralized product’ from said patent, this evidently was done solely to avoid a duplication of terms since he retained the synonymous expression ‘ester or salt.’”

The fact that Barnickel of his own volition eliminated from his specification some of the aforesaid terms and did not take out the other terms therefrom, pertaining to the rejected matter of his claims, in no way gives him the monopoly or claim to such rejected matter.

As shown above Barnickel’s application was acted upon immediately in the regular Patent Office procedure, and Barnickel’s claims for a “modified fatty acid” to include neutralized products, etc., were rejected by the Examiner and cancelled by Barnickel. This is a simple fact, which cannot be contradicted.

It follows that a neutralized product cannot be covered by patent No. 1,467,831, and since the Master [Master’s Report, R. p. 148] finds that Hydrate 488 is a neutralized product and plaintiffs admit that Hydrate 488 is a neutralized product [R. pp. 450-451], and defendants have proven that Hydrate 488 is a neutralized product, *Hydrate 488 cannot infringe*.

In *Jensen-Salsbery Laboratories, Inc. v. O. M. Franklin Blackleg Serum Company* (C. C. A. 10), 72 Fed. (2d) 15, 18, the Court said:

“Where an applicant for a patent on a mechanical combination or process is compelled by the rejection of

his application by the Patent Office to narrow his claim by the introduction of a new element in the combination or a new step in the process, he cannot, after the issue of the patent, broaden his claim by omitting the element or step he was compelled to include in order to secure his patent. If dissatisfied with the rejection, he should appeal therefrom, and where, in order to get his patent, he accepts one with a narrower claim, he is bound by it. Whether the action of the Examiner was right or wrong, the court may not inquire. The applicant having limited his claim by amendment and having accepted a patent with such claim brings himself within the rules; that, if a claim to a combination is restricted to specified elements, or a claim to a process is restricted to specified steps or a series of acts, all must be regarded as material; that limitations imposed by the applicant, especially those added by amendment after a claim has been rejected, must be construed against the inventor and regarded as disclaimers; and that the patentee is thereafter estopped to claim the benefit of the rejected claim or such a construction of his amended claims as would be equivalent thereto."

Quoted from *Gasoline Products Co. v. Champlin Refining Co.*, 86 Fed. (2d) 552-561.

Turkey-Red Oil.

Having failed to prove Hydrate 488 is a "modified fatty acid" and faced with the admission of non-infringement by their expert, Monson, who testified that Hydrate 488 is not a sulfo-fatty acid [R. pp. 449-450] on top of his failure to establish the presence of sulfo diricinoleic acid in Hydrate 488 [R. p. 472], plaintiffs endeavored to claim that "Turkey-red oil" was the agent of their patent [R. pp. 1051-56, 1087-89, 1112-14] in an effort to find infringement.

Turkey-red oil derives its name from the usage of rancid olive oil containing fatty acids (oleic acid etc.), with textiles to enable the fibre to take on the so-called turkey-red dye. Plaintiffs' Exhibit 58, page 22, and Plaintiffs' Exhibit 62 page 138, on "Textiles, Soaps and Oils" show the use of rancid olive oil, containing fatty acids in admixture with an aqueous solution of sodium carbonate as "Turkey-red oil." This is identical with some of the preferred reagents of the water softener patent No. 1,223,659.

The term "Turkey-red oil" is nowhere to be found in the patent. "Turkey-red oil" is merely a commercial name for certain materials suitable for a particular purpose. It is not indicative of chemical structure. It is this elastic term, "Turkey-red oil," that plaintiffs [R. pp. 1112-14] seek to use in finding infringement by arguing that since a sulfo-fatty acid, such as sulfo-oleic acid, could be used as a Turkey-red oil, that therefore a sulfonated oil or a neutralized product, which could be used as a Turkey-red oil, was in fact a sulfo-fatty acid and also a "modified fatty acid."

The apparent purpose of plaintiffs' syllogistic reasoning of equivalents is to circumvent Barnickel's disclaimer of sulfonated oil and to cloud the Examiner's specific exclusion from the claims of the patent of neutralized products, salts, etc.

Irrespective of how many back entrances are used to make it appear that sulfonated oils and neutralized products are agents of the "modified fatty acid" patent, the fact still remains that these materials were excluded from the claims of said patent by disclaimer, rejection and cancellation, as heretofore pointed out in this memorandum. The patent as prosecuted and written precludes plaintiffs from now claiming monopoly to sulfonated oils

and neutralized materials for treatment of petroleum emulsions, and presumptively plaintiffs cannot now rewrite said patent as to include such materials in the claims of said patent.

Barnickel had, at one time or another during the prosecution of his application cancelled all claims identifying his agent as a sulfonated oil, a salt or a neutralized product, and having never thereafter reinstated such products in any claim, was forever *estopped* from asserting that his patent is of sufficient scope to cover them.

The Supreme Court of the United States in the case of *I. T. S. Rubber Co. v. Essex Rubber Co.*, 272 U. S. 429, stated in connection with the rejection, amendment or cancellation of claims, as follows:

“The applicant having limited his claim by amendment and accepted a patent, brings himself within the rules that if the claim to a combination be restricted to specified elements, all must be regarded as material, and that limitations imposed by the inventor, especially such as were introduced into an application after it had been persistently rejected, must be strictly construed against the inventor and looked upon as disclaimers. *Sargent v. Hall Safe & Lock Co.*, 114 U. S. 63, 86; *Shepard v. Carrigan*, *supra* 598. The patentee is thereafter estopped to claim the benefit of his rejected claim or such construction of his amended claim as would be equivalent thereto. *Morgan Envelope Co. v. Albany Perforated Wrapping Paper Co.*, 152 U. S. 425. So where an applicant whose claim is rejected on reference to a prior patent, without objection or appeal, voluntarily restricts himself by an amendment of his claim to a specific structure, having thus narrowed his claim in order to obtain a patent, he ‘may not by construction, or by resort to the doctrine of equivalents, give to the claim the larger

scope which it might have had without the amendments which amount to a disclaimer.' Weber Elec. Co., 256 U. S. 668."

The burden of proving infringement rests heavily on the plaintiffs.

In *Fried, Krupp Aktien-Gesellschaft v. Midvale Steel Co.* (C. C. A. 3rd Cir.), 191 Fed. 588, 591, Buffington, Circuit Judge, held:

"We deem it proper, however, to say for the guidance of patent practitioners in this circuit that it should be borne in mind that infringement is not only a question of fact, but is a tort or wrong, the burden of establishing which, as in all torts, clearly rests on those who charge such wrong. The absence of actual fact proof is not met by the presence of expert speculations no matter how voluminous."

Other cases, see Appendix page 27.

The doctrine of equivalents does not apply in cases involving chemical patents as it does in other cases.

In *Tyler v. Boston*, 7 Wall. (74 U. S.) 327, 330, 19 L. Ed. 93, 94, Mr. Justice Grier said:

"Now, a machine which consists of a combination of devices is the subject of invention, and its effects may be calculated *a priori*; while a discovery of a new substance by means of chemical combinations of known materials is empirical, and discovered by experiment. Where patent is claimed for such a discovery, it should state the component parts of the

new manufacture claimed with clearness and precision, and not leave the person attempting to use the discovery to find it out by 'by experiment'. The law requires the applicant for a patent right to deliver a written description of the manner and process of making and compounding his new discovered compound. The art is new and, therefore, persons cannot be presumed to be skilled in it or to anticipate the result of chemical combination of elements not in daily use."

Other cases, see Appendix pages 25-27.

POINT III.

That the Suit Cannot Be Maintained Even If the Patent Were Valid, Because to Do So Would Give a Limited Monopoly of an Unpatented Staple Article of Commerce.

Defendants, in their amended answer, pleaded [R. p. 98]:

"SIXTEENTH: Further answering defendants allege that plaintiffs are, under cloak of the Letters Patent here in suit, attempting, without sanction of law, to restrain commerce by employment of said Letters Patent to secure a limited monopoly of unpatented material used in practicing the alleged inventions, and that the bill of complaint should therefore be dismissed for lack of equity."

At the time the case was heard by the Court on exceptions to the master's report, to-wit, Jan. 22, 1937, the case of *Carbice Corporation v. American Patents Development Corp.* (283 U. S. 27, 75 L. Ed. 819), was the leading case on said defense.

Defendants at that time recognized the factual differences between the present case and that of the *Carbice* case, and consequently did not urge this defense before the Special Master except to the Master's omission of any finding or recommendation on said defense, or refer thereto in argument of their exceptions before the Court.

The case of *Leitch Manufacturing Company Inc. v. The Barber Company, Inc.* (302 U. S. 458, 82 L. Ed. 371), was decided by the United States Supreme Court on January 3, 1938, and published in Advance Opinions of said Court (Lawyers Edition) on January 17, 1938.

The opinion of the District Court in the present case was filed March 2, 1938.

On May 23, 1938, defendants filed their petition to reopen the case for reargument in view of the Supreme Court's decision in the *Barber* case, relying on the evidence previously introduced at the hearing before the Special Master and on the Master's report,—their contention being that the decision in the *Barber* case had expanded the rule laid down in the *Carbice* case, and that the evidence introduced before the Special Master brought the case at bar directly within such expansion of the rule laid down in the *Carbice* case. Their petition was therefore for reopening the case for further argument before the Court to avoid conflict of decision of the District Court in the case at bar with the recent controlling decision of the Supreme Court on substantially parallel facts.

That the question raised was one for decision by the Court under the procedure followed is amply supported by authorities. Authorities, see Appendix page 28.

The record in this case shows that the plaintiff, The Tretolite Company, has, for many years, been engaged in the business of manufacturing and selling to oil producers unpatented chemical treating agents for use by the producers in breaking petroleum emulsions, and has secured and owned numerous patents, all for alleged inventions in processes of treating the oil, two of which, issued prior to date of application for patent No. 1,467,831 here in suit, were for processes differing from that claimed in patent No. 1,467,831 only in the chemical reagents employed.

The limitations upon the scope of the patent in suit to a combination of method steps, including use of the specific chemical reagent in a certain specific way and to use of the patent only to enforce the plaintiffs' alleged exclusive right to exclude others from practice of that particular method is, in the language of both the *Carbice* and *Barber* cases "inherent in the patent grant," and no other evidence was necessary for showing lack of any right whatever in the plaintiffs to restrain or interfere with manufacture and sale of the chemical reagent *per se*.

A comparison between claim 5 of plaintiffs' third patent and the claims of the patents involved in the case of *Leitch v. Barber* and the *American Lecithin cases* (94 Fed. (2d) 729 and 23 Fed. Supp. 326), decided after that of *Leitch v. Barber*, and following the rule laid down there, appears as follows:

Claim 4 Barnickel Patent No. 1,467,831	Claim 5 Leitch v. Barber Case	Claim 13 American Lecithin Cases
A process for treating petroleum emulsions characterized by	The method of curing concrete, which includes	In the preparation of chocolate mass
(A) bringing in contact with a mass of emulsion	(A) Applying to the upper surface of a roadway before the concrete has set	(A) the step of adding
(a) a modified fatty acid as herein defined,	(a) a coating of unheated bituminous paint-like material for the formation of a water impervious film thereon,	(a) about 0.2% to 0.3% of lecithin
(B) and allowing the mass to stand until the oil separates and rises to the top.	(B) and permitting the concrete to cure.	(B) at any stage of the manufacture,
		(b) whereby "graying" of the finished chocolate product is at least retarded.

Here again limitation upon the scope of use of the patent to exclude others only from practice of the complete process, and not from manufacture and sale of un-

patented material the “modified fatty acid as herein defined,” or sulfo-fatty acid, in one case, and the bituminous emulsion, in the other case, is inherent in the patent grant.

Plaintiffs submitted evidence in support of its contention that the modified fatty acid of claims 1, 2, 4, 7 and 8 of plaintiffs’ patent and the “sulfo-fatty acid” of the other claims of the patent here involved, was an article of commerce known as Turkey-red oil, and that defendants’ reagent, Hydrate 488, was Turkey red oil [R. pp. 1051-56, 1087-89, 1112-14]: consequently thus providing ground for plaintiffs’ contention and the master’s finding [R. p. 151] that in selling its chemical reagent, Hydrate 488, to the other defendants for use in practicing the process set out in the patent in suit, the defendants, Research Products Company and Abraham M. Herbsman, were guilty of contributory infringement, and in using such particular reagent purchased from Research Products Company and Abraham M. Herbsman for treating their oil, the defendants, California Production Co., Henry Branham and Arthur J. Dietrick, were guilty of direct infringement. [R. p. 151.]

The agent of the “modified fatty acid” patent was maintained by plaintiffs *and held by the Master to be various commercial grades of Turkey-red oil.* [R. pp. 1113, 141.]

In the case of *Leitch v. Barber, supra*, the Supreme Court stated:

“The question for decision is whether the owner of a process patent may by suit for contributory infringement suppress competition in the sale of unpatented material to be used in practicing the process.”

Plaintiffs, in their effort to establish infringement, contended that the agent of their modified fatty acid patent consisted of various commercial grades of Turkey-red oil, an unpatented material, and that defendants' product Hydrate 488, was a commercial or standard grade of Turkey-red oil. These contentions are as follows:

Plaintiffs' expert witness, Monson, testified [R. p. 482]:

“Turkey red oil made by the action of sulfuric acid on castor oil has been made since at least 1875 on a commercial scale.”

Plaintiffs' expert witness, Dr. More, testified [R. pp. 1051, 1112-13]:

“Q. What do you understand is the meaning of the term ‘turkey red oil’ as used commercially and in the technical literature for the past 20 or 30 years?”

A. The name is a general name for the product resulting from the action of sulfuric acid on castor oil. The name, in fact, was used more than 20 years ago for castor oil products and for products resulting from the action of sulfuric acid on oleic acid. It is the term which is properly applied to the products arising from the action of sulfuric acid on these oils.”

“Q. By Mr. Brown: I believe you said on direct examination that the term ‘turkey red oil’ included sulfonated oil, sulfurized oil, sulfo-fatty acids, among other things, did you not?”

A. Those terms have been used as synonymous with ‘turkey red oil’ all through the history of the development of such products.

Q. Does that include the term ‘modified fatty acids,’ as you understand the term is employed in the patent in suit?

A. I should say that the turkey red oil and the other synonyms which have been used for those products were, according to my own understanding of the term, modified fatty acids.

Q. Then the term 'turkey red oil' could be substituted for the term 'modified fatty acid,' as that term is employed in the patent?

A. I am inclined to feel that in view of the definite disclosure of the nature of the substances to be used as reagents for breaking emulsions, that they would all be included as synonymous with the general term 'turkey red oil.'

Q. How long has it been known in the chemical art that the term 'turkey red oil' is synonymous with these other things you have spoken of?

A. The meaning began to be usual as far back as the late 1870's, I think."

Plaintiffs' Exhibit 41, Book of Exhibits, p. 67:

"According to Government statistics, the amount of turkey red oil consumed in this country during 1929 amounted to over 18,000,000 lbs., valued at nearly \$2,000,000.00. Hence, the commercial importance of properly evaluating and grading of turkey red oil and *other sulfonated oils* is self evident." (Italics ours.)

Plaintiffs' Exhibit 58, Book of Exhibits, p. 133:

"Sulfonated castor oil first came into the market between 1870 and 1875, quickly superseding olive oil in the production of turkey reds, alizarine reds and other colors on cotton.

It is made and sold under a variety of names, such as Turkey Red Oil, Alizarine oil, oleine, soluble oil, dyeing oil, red oil, etc."

Plaintiffs' Exhibit 62, Book of Exhibits, p. 185:

“* * * about 1870 to 1875 there came into use sulphated castor oil, and this has now quite superseded olive oil in the production of turkey and alizarine reds and other colors on cotton. It is made and sold under a variety of names. Turkey red oil or alizarine oil are most general, * * *”

The Master found that *sulfonated castor oil* and Turkey-red oil were well known articles of commerce and that Hydrate 488 was a Turkey-red oil [R. pp. 140-141, 148]:

“The treatment of castor oil with sulfuric acid to obtain substitution and addition products is an old procedure in industrial chemistry.” [R. p. 140.]

“The terms ‘turkey red oil’ and ‘sulfonated oil’ have been used synonymously in industrial chemistry.” [R. p. 141.]

“Commercially it (Hydrate 488) may be classified as a turkey red oil.” [R. p. 148.]

In the present case at bar, defendants, Research Products Co., Ltd., finding that their business was suppressed by plaintiffs' suit against them for contributory infringement, were therefore obliged to ask the Court for said case to be referred to a Master for an early hearing. In support thereof, defendants filed affidavits of A. M. Herbsman and B. C. Olsen, showing loss of business by reason of plaintiffs' suit. [R. pp. 104-126.] It was only after such motion was filed (Nov. 21, 1934) that plaintiffs stipulated to said reference (Nov. 23, 1934).

Application of the ruling of the Supreme Court in the case of *Leitch v. Barber* to the one at bar, literally as well as in full substance, appears convincingly by com-

parison of pertinent portions of the decision with corresponding facts in the case at bar (again in parallel columns), wherein the only change required in reading the decision on facts of the case at bar is substitution of names of the parties, the judicial district, the patent number and date, and of the chemical agent employed in the respective processes, as indicated by italics in the column relating to the case at bar:

In the Decision.

“The Barber Company brought, in the federal court for New Jersey, against the Leitch Manufacturing Company, this suit to enjoin the alleged contributory infringement of patent No. 1,684,671, dated September 18, 1928, by selling and delivering bituminous emulsion to a road builder, knowing that it was to be used in Newark in accordance with the method defined in the claims of the patent.”

“It was insisted that the suit could not be maintained, even if the patent were valid, because to do so would give a limited monopoly of an unpatented staple article of commerce.”

In the Case at Bar.

The *Tretolite Company*, and another, brought in the federal court of the *South-ern District of California* against *Research Products Co., Ltd., and Abraham M. Herbsman*, to enjoin alleged contributory infringement of patent *No. 1,467,-831 dated September 11, 1923*, by selling and delivering *Hydrate 488 (Turkey red oil)* to an *oil producer* knowing that it was to be used in *Venice Field, Cali-fornia*, in accordance with the method defined in the claims of the patent.

Defendants pleaded that “plaintiffs are, under cloak of the Letters Patent in suit, attempting, without sanction of law, to restrain commerce by employment of said Letters Patent to secure

a limited monopoly of unpatented material used in practicing the alleged inventions.”

“The Barber Company and Leitch Manufacturing Company are competing manufacturers of bituminous emulsions—an unpatented staple article of commerce produced in the United States by many concerns and in common use.”

“The Barber Company acquired the process patent sued on, and seeks to use it to secure a limited monopoly in the business of producing and selling the bituminous material for practicing and carrying out the patented method.”

“The company does not itself engage in road building, or compete with road contractors. It does not seek to make road builders pay a royalty for employing the patented method. It does not grant to road builders a written license to use the process.² But it

The Tretolite Companies and Research Products Co., Ltd., and Abraham M. Herbsman are (according to the findings herein) competing manufacturers of *Turkey Red Oil*, an unpatented staple article of commerce produced in the United States by many concerns and in common use.

The Tretolite Company acquired the process patent sued on, and seeks to use it to secure a limited monopoly in the business of producing and selling the *Turkey Red Oil* for practicing and carrying out the patented method.

The company does not itself engage in *oil production* or compete with oil producers. It does not seek to make *oil producers* pay a royalty for employing the patented method. It does grant to *oil producers* a written license to use the process.² But it adopts a

NOT

adopts a method of doing business which is the practical equivalent of granting a written license with a condition that the patented method may be practiced only with emulsion purchased from it. For any road builder can buy emulsion from it for that purpose, and whenever such a sale is made, the law implies authority to practice the invention.”

2. “No written license had, so far as appears, been granted by the Barber Company to anyone. Its predecessor, the Barber Asphalt Company (see note 1), had granted a written license to Johnson-March Corporation, which paid no royalty but bought from The Barber Asphalt Company ‘cut-back material’ for use in the East, and ‘Trinidad or Bernudez asphalt’ for use in the West.”

“On the other hand, The Barber Company sues as contributory infringer a competing manufacturer of this unpatented material

method of doing business which is the practical equivalent of granting a written license with a condition that the patented method can be practiced only with *Turkey red oil* purchased from it. For any *oil producer* can buy *Turkey red oil* from it for that purpose, and whenever such a sale is made the law implies authority to practice the invention.

2. No written license has, so far as appears, been granted by *The Tretolite Company* to anyone. *The Tretolite Company* has granted an oral license to *The Tretolite Company of California, Ltd.*, to make and sell *Tre-O-Lite* for use in *California*.

On the other hand. *The Tretolite Company* sues as contributory infringer a competing manufacturer of this unpatented material

who sells it to a road builder for such use. Thus, the sole purpose to which the patent is put is thereby to suppress competition in the production and sale of staple unpatented material for this use in road building.”

who sells it to *oil producers* for such use. Thus, the sole purpose to which the patent is put is thereby to suppress competition in the production and sale of staple unpatented material for this use in *treating petroleum emulsions*.

The decision of this Court in the case of *Johnson Company v. Philad Company*, 96 Fed. (2d) 442, is not at all in conflict with defendants' contention. On the contrary, Wilbur, Circuit Judge, speaking for the Court, distinguished the reported case from *Leitch v. Barber* in a manner helpful to determination of the point here involved.

The patent there was for a process of waving hair, including winding a strand of hair on a rod to close relation with a clamp on the strand adjacent the scalp, wrapping the strand while held by the clamp and rod in a pad of absorbent material specially prepared with hair treating solution, enclosing the strand and pad in a moisture proof covering, and applying heat.

The defendant had sold such pads with the intention that they be used for practicing the patented process.

The Court held (p. 447):

“The pads are part of appellant's apparatus used and sold with intent that they be used in practicing the patented process. It does not appear that they are standard articles of commerce and that appellees

sought to extend a monopoly to such standard unpatented articles,³ but rather that the pads are designed and intended by the appellant to be used in co-operation with the other devices in carrying out the patented process and that appellees are seeking only to protect the monopoly given by their patent. We conclude that the lower court committed no error as to the pads.”

The Court found (p. 447):

“It does not appear that they are standard articles of commerce * * *.”

In the case at bar the reagent of the patent in suit, Turkey-red oil, with which the process of the patent here in suit was practiced was found by the Master to have been a standard article of commerce.

As it was for selling, according to plaintiffs, a standard article of commerce (Turkey-red oil) for treating oil that defendants, Research Products Company and Abraham M. Herbsman, were charged with contributory infringement, and for using such article purchased from Research Products Company and Abraham M. Herbsman that the other defendants were charged with direct infringement of the patent in suit, such facts distinguish the case at bar from the Ninth Circuit case and bring the case at bar directly and completely within the reasoning and holding of the *Leitch v. Barber* case.

In the record of the *Leitch v. Barber* case (Supreme Court Case No. 208) [R. p. 1243], the testimony of Russell R. Barrett on cross-examination shows that one of the various commercial forms or grades of emulsified

asphaltum was sold by the defendants for the particular and special use as described by the patent in suit under the designation, Grade AE, and was so constituted in its emulsified form and water content as to be particularly adapted for the process in suit.

In said case, [see stipulation filed therein, Plaintiffs' Exhibit No. 2] the defendants, Leitch Manufacturing Co., who manufactured and sold this grade of emulsified asphaltum, stipulated that it was to be used for the process called for by the patent in suit.

It was not sale of defendants' specific treating agent, Hydrate 488, that the Master found to infringe. It was the sale and use of Turkey red oil of which the Master found Hydrate 488 to be one form that constituted the infringement.

In conclusion of argument on this point defendants submit that the holding of the Supreme Court in *Leitch v. Barber*, (82 L. Ed. p. 372):

“Thus, the sole purpose to which the patent is put is thereby to suppress competition in the production and sale of staple unpatented material
* * *

“By the rule there declared (referring to the *Carbice* Case) every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited. It applies whether the patent be for a machine, a product, or a process,”

brings the case at bar directly within the ruling of *Leitch v. Barber*. Here the sole purpose to which the patent in suit is put is to suppress competition in the produc-

tion and sale of Turkey red oil, sulfo-fatty acid, or the products resulting from modification of fatty acids as defined in the specification of the patent in suit, all, according to plaintiffs' own contentions and proof, staple, unpatented materials.

By restraint of the defendants Research Products Co. Ltd., and Abraham M. Herbsman, from manufacture and sale of the material for use in treating petroleum oil, and restraint of the defendants California Production Co., Henry Branham and Arthur J. Dietrick, from use of such material for treating oil, except when such material was purchased from the plaintiffs, plaintiffs would be obtaining a monopoly on such unpatented material in the limited field of its use for the particular purpose of treating petroleum oil for the purpose of its separation from its emulsified state and recovery of the good oil pursuant to such separation.

Defendants therefore submit that under the holding of the Supreme Court in *Leitch v. Barber*, (82 L. Ed. p. 372) and under the ensuing decisions in the *American Lecitin* cases (94 Fed. (2d) 729 and 23 Fed. Supp. 326) that plaintiffs' suit cannot be maintained even if the patent were valid, because to do so would give a limited monopoly of an unpatented staple article of commerce.

POINT IV.

Because of Its Error in Holding the Patent in Suit, and Particularly Claims Numbered 1, 2, 4, and 7 to 10, Inclusive, Valid and Infringed, the Court Was in Further Error in Ordering Recovery, Injunction and Costs Against the Defendants, and in Not Dismissing Plaintiffs' Bill of Complaint.

Argument on Point IV directed to general assignments of error, being included under Points I to III, inclusive, will not be repeated here.

Conclusion.

In conclusion it is finally submitted:

(1) That claims 1, 2, 4 and 7 to 10, inclusive, of Patent No. 1,467,831 in suit are invalid for indefiniteness, abandonment, anticipation, double patenting and/or lack of invention on any of the theories advanced by plaintiffs to cover or embrace defendants' treating agent Hydrate 488.

(2) That defendants have not infringed any of claims 1, 2, 4 and 7 to 10, inclusive, of Patent No. 1,467,831 in suit on any of the theories advanced by plaintiffs.

(3) That even if claims 1, 2, 4 and 7 to 10, inclusive, could be held valid, plaintiffs' bill of complaint should be dismissed for lack of equity under the decision of the United States Supreme Court in *Leitch v. Barber*, *supra*.

Whereupon defendants urge that this Court set aside the decree appealed from and dismiss the bill of complaint with costs to defendants.

Respectfully submitted,

ARTHUR C. BROWN,

FRANK L. A. GRAHAM,

Attorneys for Appellants.

APPENDIX.

ASSIGNMENTS OF ERROR.

The assignments of error relied upon by defendants are those numbered 1 to 29, inclusive, reading as follows [R. pp. 1230-36]:

“That the United States District Court for the Southern District of California, Central Division, erred:

1. In failing to order and decree that the Bill of Complaint be dismissed;

2. In ordering and decreeing that Letters Patent of the United States No. 1,467,831, dated September 11, 1923, and particularly claims 1, 2, 4, 7, 8, 9 and 10 thereof, are good and valid in law;

3. In failing to order and decree that United States Letters Patent No. 1,467,831 are void and invalid in law;

4. In ordering and decreeing that defendants, California Production Co., Henry Branham and Arthur J. Dietrick, have infringed Letters Patent No. 1,467,831 and particularly claims 1, 2, 4, 7, 8, 9 and 10 thereof, by employing the process described and claimed in said patent in the treating of petroleum oil produced by said defendants to remove excessive amounts of water and emulsion from said petroleum oil;

5. In ordering and decreeing that defendants, Research Products Co., Ltd., and Abraham M. Herbsman, have jointly and severally infringed upon said Letters Patent No. 1,467,831 and particularly claims 1, 2, 4, 7, 8, 9 and 10 thereof by causing to be employed the process described and claimed in said patent

in the treating of petroleum oil to remove excessive amounts of water and emulsion from said petroleum oil;

6. In ordering and decreeing that defendants, Research Products Co., Ltd. and Abraham M. Herbsman, have jointly and severally contributed to the infringement upon Letters Patent No. 1,467,831 particularly claims 1, 2, 4, 7, 8, 9 and 10 thereof, by manufacturing and selling to and inducing oil producers to use the chemical reagent 'Hydrate 488' with the knowledge, intent and instructions to said oil producers, that said chemical reagent be and was employed in practicing the process of said Letters Patent;

7. In ordering and decreeing that plaintiffs recover of the defendants, California Production Co., Henry Branham, Arthur J. Dietrick, the profits, gains and advantages which the said defendants, and each thereof, have received or made or which have arisen or accrued to each from the infringement aforesaid, together with the damages which plaintiffs have sustained by reason thereof;

8. In ordering and decreeing that plaintiffs recover of the defendants, Research Products Co., Ltd., and Abraham M. Herbsman, all the profits, gains and advantages which said defendants and each thereof have received or made or which has arisen or accrued to each from the infringement and contributing to the infringement aforesaid, together with the damages which the plaintiffs have sustained by reason thereof;

9. In ordering and decreeing that this cause be referred to a Special Master to ascertain and take and report to the Court an account of said profits, gains and damages and assess said damages;

10. In ordering and decreeing that perpetual injunctions be issued out of and under the seal of this Court restraining the defendants, California Production Company, Henry Branham and Arthur J. Dietrick, their officers, associates, agents, servants, workmen and employees, and each and every of them, from directly or indirectly employing or causing to be employed the process embodying the inventions claimed in said Letters Patent No. 1,467,831 and particularly claims 1, 2, 4, 7, 8, 9 and 10 thereof, and from in any way infringing upon said Letters Patent or upon the rights of the plaintiffs under said Letters Patent;

11. In ordering and decreeing that a perpetual injunction be issued out of and under the seal of this Court restraining the defendants, Research Products Co., Ltd., and Abraham M. Herbsman, their officers, associates, agents, servants, workmen and employees, and each and every of them, from directly or indirectly using or causing to be used the process embodying the inventions claimed in said Letters Patent No. 1,467,831 and particularly claims 1, 2, 4, 7, 8, 9 and 10 thereof, and from in any way infringing upon or contributing to the infringement upon said Letters Patent or upon the rights of the plaintiffs under said Letters Patent;

12. In ordering and decreeing that the plaintiffs have and recover of and from the defendants, and each of them, their costs herein to be taxed;

13. In ordering that defendants' exceptions to the report of the Special Master should be disallowed;

14. In overruling defendants' objections to the decree filed herein;

15. In denying defendants' Petition to Reopen the case;

16. In finding that the process described and claimed in United States Letters Patent No. 1,467,831 is not disclosed in the prior art or prior uses pleaded and introduced in evidence by the defendants;

17. In finding that the chemical reagent manufactured and sold by Research Products Co., Ltd., and Abraham M. Herbsman comprises a number of grades sold under the generic name 'Hydrate';

18. In finding that in selling the chemical reagent 'Hydrate 488' defendant, Research Products Co., Ltd., to induce the purchase and use thereof by oil producers, contacts oil producers, obtains samples of petroleum emulsions from such producers, tests the said emulsions to determine the specific formula or grade of said defendant's chemical reagent best adapted for the purpose of removing excessive amounts of water from such petroleum oils, recommends the formula or grade of such chemical reagent to be employed, advises, directs and instructs purchasers and users of defendant's chemical reagent in the manner of use of such reagent;

19. In finding that the chemical reagent 'Hydrate 488' was manufactured by defendants, Research Products Co., Ltd., and Abraham M. Herbsman and by them sold to defendant, California Production Company, at the direction of said Abraham M. Herbsman for the sole and specific purpose of treating petroleum emulsion produced by defendant, California Production Company, to remove excessive amounts of water therefrom by the process described and claimed in Letters Patent No. 1,467,831;

20. In finding that the process employed by the defendant, California Production Company at Venice, California, using Hydrate 488, is the process described and claimed in Letters Patent No. 1,467,831;

21. In finding that 'Hydrate 488' is a chemical reagent of the kind and character described and claimed in United States Letters Patent No. 1,467,831;

22. In finding that the chemical reagent 'Hydrate 488' is a modified fatty acid of the kind and character described and claimed in United States Letters Patent No. 1,467,831 for use in practicing the process of the patent;

23. In failing to find that the method set forth and described in Letters Patent No. 1,467,831, dated September 11, 1923, and particularly claims 1, 2, 4, 7, 8, 9 and 10 thereof, does not embody and constitute invention;

24. In failing to find non-infringement of Letters Patent No. 1,467,831 dated September 11, 1923, and particularly claims 1, 2, 4, 7, 8, 9 and 10 thereof;

25. In concluding that Letters Patent No. 1,467,831 and particularly claims 1, 2, 4, 7, 8, 9 and 10 thereof, are good and valid in law;

26. In concluding that defendants, California Production Company, and Henry Branham and Arthur J. Dietrick, have infringed upon Letters Patent No. 1,467,831 and particularly claims 1, 2, 4, 7, 8, 9 and 10 thereof, at Venice, California, by employing the process described and claimed in said patent in the treating of petroleum oil produced by said defendants at Venice, California, to remove excessive amounts of water and emulsion from such petroleum oil;

27. In concluding that defendants, Research Products Co., Ltd., and Abraham M. Herbsman, have jointly and severally infringed upon Letters Patent No. 1,467,831 and particularly claims 1, 2, 4, 7, 8, 9 and 10 thereof by employing and causing to be em-

ployed the process described and claimed in said patent, in the treating of petroleum oil to remove excessive amounts of water and emulsion from such petroleum oil;

28. In concluding that the defendants, Research Products Co., Ltd., and Abraham M. Herbsman, have jointly and severally contributed to the infringement upon said Letters Patent No. 1,467,831 and particularly claims 1, 2, 4, 7, 8, 9 and 10 thereof, by manufacturing and selling to and inducing oil producers to use a chemical reagent of the kind and character described and claimed in said Letters Patent for use in and by the process of said Letters Patent with the knowledge, intent and instructions to said oil producers that said chemical reagent be and was employed in practicing the process of said Letters Patent;

29. In concluding that an Interlocutory Decree be entered in this cause and adjudging and decreeing that Letters Patent No. 1,467,831 and particularly claims 1, 2, 4, 7, 8, 9 and 10 thereof, are valid and have been jointly and severally infringed by the defendants as aforesaid, directing an injunction be issued restraining the defendants from further infringement of said Letters Patent and referring this cause to a Special Master to ascertain the profits and damages derived from or arising out of all infringement of said Letters Patent by the defendants.”

AUTHORITIES.

POINT I.

Patent No. 1,467,831 is Void and Invalid.

(a) *Indefiniteness:*

In the case of *Solva Waterproof Glue Co. v. Perkins Glue Co.*, 251 Fed. 64-69 (C. C. A. 7), the Court stated:

“Nothing but experiment avails in the successful production of the glue base. If the patent were for the preparation of a proper glue base from entirely raw starch, it may be the processes of the two patents in suit might be valid. As it is, we see no disclosures which entitled appellee to a patent for any of his claims for the manufacture of a glue base. It is a hit or miss formula and not such a disclosure of those skilled in the starch glue or adhesive art as would enable them to practice its manufacture without experimentation. They may not be required to resort to experimentation. *Panzl v. Battle Island Paper Co.*, 138 Fed. 48, 53, 70 C. C. A. 474; *General Electric Co. v. Hoskins Mfg. Co.*, 224 Fed. 464, 140 C. C. A. 150; *Chemical Rubber Co. v. Raymond Rubber Co.*, 71 Fed. 179, 182, 18 C. C. A. 31. The patents in suit disclose no advance upon the prior art in the creation of a proper glue base. That must be discovered anew on each occasion.”

In the case of *Nat'l. Chemical & Fertilizer Co. v. Swift & Co.*, 100 Fed. 451-452, the Court stated:

“Complainant brings this suit to restrain the alleged infringement of patent No. 367,732, issued August 2, 1887, covering ‘the within nitrogenous fertilizing material, consisting of undecomposed, coagulated albuminoids of concentrated tank waters,

freed from undue deliquescence and viscosity.' This product it claims to secure by the proper use of a solution of sulphate of iron applied to the 'soup' (as tank water is termed), and the whole then subjected to 300° Fahrenheit, preferably by steam. It is then placed in an open vessel, spread out to a thickness of about one inch, and subjected for 10 hours to 350° Fahrenheit, when it will become brittle and easy of pulverization. The relative proportions of the ingredients are to be ascertained only by experiment. * * * There is no sufficient evidence in the record to enable the court to accurately determine (1) what complainant's product really consists of; (2) what defendant's product really is; and (3) whether they are identical. *This uncertainty must be solved in favor of defendant.* Complainant's product is not, in its specification or claim, described in 'such full, clear, concise and exact terms' as to enable any person skilled in the art to which it appertains to compound the same; nor could such person determine whether a given substance is of the same composition as the product covered by the patent. The patent does not meet the requirements of the statute and decisions in this regard, and is therefore void for lack of certainty. The bill is dismissed for want of equity." (Italics ours.)

See also:

Reflectolyte Co. v. Luminous Unit Co. (C. C. A. 8), 20 Fed. (2d) 607, 612;

The Incandescent Lamp Case, 159 U. S. 465, 40 L. Ed. 221, 224;

Wood v. Underhill, et al., 5 Howard 23, 12 L. Ed. 23-25;

Health Products Corp. v. Ex-Lax Mfg. Co. Inc.
(C. C. A. 2), 22 Fed. (2d) 286-287;

Matheson v. Campbell (C. C. A. 2), 78 Fed. 910,
920, 921;

Leonard v. Maxwell (C. C. A. 2), 252 Fed. 584,
590;

Hemming Mfg. Co. v. Cutler-Hammer Mfg. Co.
(C. C. A. 7), 243 Fed. 595;

Electro-Dynamic Co. v. United States L. & H.
Corp. (C. C. A. 2), 278 Fed. 80, 84.

A patent must be construed as written:

In *Goodyear Dental Vulcanite Co. v. Davis*, 102 U. S.
222, 26 L. Ed. 149, 150, Mr. Justice Strong held:

“Undoubtedly, a patent, like any other written instrument, is to be interpreted by its own terms. But when a patent bears on its face a particular construction, inasmuch as the specification and claim are in the words of the patentee, it is reasonable to hold that such a construction may be confirmed by what the patentee said when he was making his application. The understanding of a party to a contract has always been regarded as of some importance in its interpretation.”

In *Victor Talking Mach. Co. et al. v. American Graphophone Co.* (C. C. A. 2), 151 Fed. 601, 605, Townsend, Circuit Judge, held:

“While, therefore, an applicant for a patent may stake out the boundaries of his territory, yet if, upon notice from the Patent Office that some portion of said territory is the property of another or is held in common by the public, he acquiesces in such statement and alters his boundaries accordingly.

He is concluded by such abandonment, and cannot afterward undertake to define his territory by rolling stones, which he may move about across the lines of his original boundaries so as to appropriate property previously conceded to belong to others.”

In *Fulton Co. v. Powers Regulator Co.* (C. C. A. 2), 263 Fed. 578, 581, 582, Hough, Circuit Judge, held:

“(4) Within these limits patents are to be construed liberally ‘so as to effect their real intent’ (Bossert, etc. Co. v. Pratt, etc. Co., 179 Fed. 387, 103 C. C. A. 45); but what their intent is must be obtained from the specification and measured by the claim, for the present ‘condition of the patent law * * * leaves no excuse for ambiguous language or vague descriptions’ (Merrill v. Yeomans, 94 U. S. 673, 24 L. Ed. 235), although it is not legal ambiguity when ‘the subject-matter is incapable of exact expression in terms of measurement,’ and a skillful man with no measurements given can follow the directions of the patent (*Eible, etc. Co. v. Remington, etc. Co.*, 234 Fed. 624, 148 C. C. A. 390. * * *)

“Nowhere does the specification state that patentee’s tube is to be long; doubtless it was to be as long as convenient; but that its length had anything to do with cooling is a concept neither expressed in nor suggested by the specification.

“If such concept had been described and its embodiment pictured, the claim would not be bettered under *McCarty v. Lehigh, etc. Co.*, 160 U. S. 110, 16 Sup. Ct. 240, 40 L. Ed. 358. To substantially insert the necessary words would be going further than to substitute the specification for the claim, and that certainly cannot be done. *Safety, etc. Co.*

v. Gould, etc. Co. (D. C.), 230 Fed. 850. We are driven to the conclusion that the coolness of the connecting tube arising from its length is an afterthought. Whether it is a good one or not makes no difference; it cannot control or change claims as written. *McBride v. Kingman* (C. C.), 72 Fed. 913, Affirmed 97 Fed. 217, 38 C. C. A. 123. Thus the case is one for applying the rule that this function now so fervently urged was not set forth in the specification, whereas another function, *i. e.*, the trap so carefully described, was set forth and claimed; and this 'is significant proof that (that) which has not been disclosed by (the patentee) to the public is not his invention.' *Electric etc. Co. v. Gould etc. Co.*, 158 Fed. 617, 85 C. C. A. 439."

See also:

Wood v. Boylan et al. (C. C. A. 8), 19 Fed. (2d) 48, 51, 54;

Hennebique Const. Co. v. Urban Const. Co. (C. C. A. 8), 182 Fed. 496, 498;

Brill v. St. Louis Car Co. et al. (C. C. A. 8), 90 Fed. 666, 668, 669;

McCarty v. Lehigh Valley R. R. Co., 160 U. S. 110, 40 L. Ed. 358.

Court cannot rewrite patent:

In *Colgate-Palmolive-Peet Co. v. Lever Bros. Co.* (C. C. A. 7), 90 Fed. (2d) 178, 194, Evans, Circuit Judge, held:

"(7) Lamont might have inserted additional claims or modified the language of existing claims so as to have made them broader and more comprehensive and inclusive. Such claims might have covered soap with a *reduced* amount of dust and

which would have had a *substantial* amount of round and ball like particles with hollow bodies. However, Lamont chose to make the claims more rigid and specific and must be bound thereby. He chose his own language. We must accept his words as they were presented to, and accepted by, the Patent Office. We are not permitted to rewrite a claim even though Lamont's discovery would have justified a broader one. Nor can we do indirectly, that is by construction, what we can not do directly."

In *Permutit Co. v. Graver Corp.* (C. C. A. 7), 43 Fed. (2d) 898, 901, Evans, Circuit Judge, held:

"Much stress is placed on the novel feature (a), the unconfined character of the bed of zeolites. The advantages of an *unconfined* bed of zeolites are now stoutly proclaimed. Because open at the top it is claimed that the zeolites receive the water and the salt more freely and evenly and both the water softening and the zeolite regeneration are more complete. For the purpose of the argument only it may be ceded that an unconfined zeolite bed had merit as well as novelty. But of what significance is this fact to the patentee who did not include in his specifications or in his claims a zeolite bed so limited?

"We have looked in vain, in the claims and in the specifications of the Gans patent, for any language which mentions a zeolite bed which is free and unconfined. If the novelty of this invention, as it is now asserted, resides in the free and unconfined bed of zeolites, it is more than passing strange that the inventor should make no reference, either in specifications or in claims, to that which marked his advance over the prior art. Courts are not

permitted to read into a claim a limitation of one of the elements which the patentee has not seen fit to impose. For what is not claimed by the patentee belongs to the public.”

See also:

McLain v. Ortmyer, 141 U. S. 419, 424, 35 L. Ed. 800;

Keystone Bridge Co. v. Phoenix Iron Co., 95 U. S. 274, 24 L. Ed. 344;

Merrill v. Yeomans, 94 U. S. 568, 24 L. Ed. 235.

Abandonment by publication:

In *Ely Norris Safe Co. v. Mosler Safe Co.* (C. C. A. 2), 62 Fed. (2d) 524, 526, Manton, Circuit Judge, said:

“The second patent is for the same invention, and is an alternative and inferior form. It is the one with a destructible wall closing the periphery of the open space. The first patent disclosed this inferior or alternative construction, but did not claim it. That which is described and not claimed in a patent is abandoned to the public unless the inventor before the grant of the first patent has on file an application asserting the same invention. *Underwood v. Gerber*, 149 U. S. 224, 231, 13 S. Ct. 854, 37 L. Ed. 710; *Miller v. Brass Co.*, 104 U. S. 350, 26 L. Ed. 783. The plaintiff’s inventor cannot now assert a monopoly in that which he abandoned to the public. Therefore the second patent is invalid.”

In *Ludlum Steel Co. v. Terry* (D. C. N. D. N. Y.), 37 Fed. (2d) 153, 164, Cooper, District Judge, held:

“(9) It is the law that where a patentee in his earlier patent makes disclosures, unaccompanied

by any claim covering such disclosures, and without reservation of such claim, or notice of intention to claim them in a later patent, the patentee is presumed to dedicate to the public all such unclaimed disclosures, and cannot later obtain a patent for them. *Ball & Roller Bearing Company v. F. C. Sanford Mfg. Co.* (C. C. A.), 297 F. 163, *McClain v. Ortmyer*, 141 U. S. 419, 12 S. Ct. 76, 35 L. Ed. 800.”

See also:

Hy-Lo Unit & Metal Products Co. v. Remote C. Mfg. Co. (C. C. A. 9), 83 Fed. (2d) 345, 347;

Esnault-Pelterie v. Chance Vought Corp. (C. C. A. 2), 66 Fed. (2d) 474, 475;

Directoplate Corp. v. Donaldson Lith. Co. (C. C. A. 6), 51 Fed. (2d) 199, 203;

Elevator Supplies Co. v. Graham & Norton Co. (C. C. A. 3), 44 Fed. (2d) 358, 361, 362.

Abandonment by suppression of the invention:

In *Kendall v. Winsor*, 62 U. S. (22 How.) 322, 328, 16 L. Ed. 165, 167-168, Mr. Justice Daniel held:

“It is undeniably true, that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage; the benefit to the public or community at large was another and doubtless the primary object in granting and securing that monopoly. * * *

“* * * The inventor who designedly, and with the view of applying it indefinitely and exclusively for his own profit, withholds his invention from the public, comes not within the policy or objects of the Constitution or Acts of Congress. He does

not promote, and, if aided in his design, would impede, the progress of science and the useful arts. And with a very bad grace could he appeal for favor or protection to that society which, if he had not injured, he certainly had neither benefited nor intended to benefit. * * *

“* * * He may forfeit his rights as an inventor by a willful or negligent postponement of his claims, or by an attempt to withhold the benefit of his improvement from the public until a similar or the same improvement should have been made and introduced by others. * * *

“‘If an inventor should be permitted to hold back from the knowledge of the public the secrets of his invention, if he should for a long period of years retain the monopoly, and make and sell his invention publicly, and thus gather the whole profits of it, relying on his superior skill and knowledge of the structure, and then, and then only, when the danger of competition should force him to secure the exclusive right, he should be allowed to take out a patent, and thus exclude the public from any further use than what would be derived under it during his fourteen years, it would materially retard the progress of science and the useful arts, and give a premium to those who should be least prompt to communicate their discoveries.’”

See also:

Consolidated Fruit Jar Co. v. Wright, 94 U. S. 92, 24 L. Ed. 68;

Victor Talking Machine Co. v. Starr Piano Co. (C. C. A. 2), 281 Fed. 60, 66;

Allison Mfg. Co. v. Ideal Filter Co. (C. C. A. 8), 21 Fed. (2d) 22, 27;

William Mills v. The United States (Court of Claims of U. S.), 13 U. S. P. Q. 323, 331;

Woodbridge v. United States, 263 U. S. 50, 68 L. Ed. 159, 163, 164;

Wirebounds Patents Co. v. Saranac Automatic Mach. Co. (C. C. A. 6), 65 Fed. (2d) 904, 906.

Abandonment by prior public use:

In *Wailes Dove-Hermiston Corp. v. Oklahoma Contracting Co.* (C. C. A. 5), 56 Fed. (2d) 143, 144, Walker, Circuit Judge, held:

“The patentees publicly used the patented method in coating fifty miles of pipe in a job in which about eighty miles of pipe were coated. That job was commenced in the latter part of June, 1926. The coating was done under a contract which provided for it being paid for at a stated price per lineal foot. The contract price for the coating in which the patented method was used, amounting to over \$70,000. was promptly paid when the job was done. It is quite apparent that the main purpose of the just mentioned use of the method in question was for profit, and that a purpose to make the job a means of testing the durability of a coating by the patented method of large pipe buried underground was merely incidental. Such a public use of the method in business and for profit more than two years prior to the application was a bar to the applicants’ right to a patent. 35 U. S. C. A., Sec. 31; *Smith & Griggs Mfg. Co. v. Sprague*, 123 U. S. 249, 8 S. Ct. 122, 31 L. Ed. 141; *Andrews v. Hovey*, 123 U. S. 267, 8 S. Ct. 101, 31 L. Ed. 160.”

In *Smith and Griggs Mfg. Co. v. Sprague*, 123 U. S. 249, 31 L. Ed. 141, 146, Mr. Justice Matthews held:

“In considering the evidence as to the alleged prior use for more than two years of an invention, which, if established, will have the effect of invalidating the patent, and where the defense is met only by the allegation that the use was not a public use in the sense of the statute, because it was for the purpose of perfecting an incomplete invention by tests and experiments, the proof on the part of the patentee, the period covered by the use having been clearly established, should be full, unequivocal, and convincing.”

See also:

Letterlicr v. Mann, et al. (C. C. S. D. Calif.), 91 Fed. 917, 918;

Standard Automatic Mach. Co. v. Karl Kiefer Mach. Co., 18 Fed. (2d) 326, 329-331; (affirmed C. C. A. 2), 18 Fed. (2d) 331;

Trwyman v. Radiant Glass Co. (C. C. A. 8), 56 Fed. (2d) 119, 121;

Midland Flour Milling Co. v. Bobbitt (C. C. A. 8), 70 Fed. (2d) 416, 419, 420;

Swain v. Holyoke Machine Co. (C. C. A. 1), 111 Fed. 408, 409;

A. Schrader's Sons, Inc. v. Wein Sales Corp. (C. C. A. 2), 9 Fed. (2d) 306, 308;

Wilkie v. Manhattan Rubber Mfg. Co. (C. C. A. 3), 14 Fed. (2d) 811, 812.

Double patenting:

In *Toledo Scale Co. v. Computing Scale Co.* (C. C. A. 6), 9 Fed. (2d) 823, 824, Denison, Circuit Judge, held:

“In these De Vilbiss patents, if there was inventive merit in the broad thought of combining his base-supported platform with a computing apparatus, though this is at least doubtful, it could have been covered by a generic claim in the first patent. This was not done, either by the original or by the reissue which was later taken. Whether by this course there was a dedication to the public of a further form, beyond that specifically shown and claimed, depends upon the existence of an inventive step between the two; and thus, under such circumstances as here exist, we come in another way to the question of whether the second showed patentable invention as compared with the first. We have already indicated a negative answer. The remedy for any insufficiency was reissue, not another specific patent.”

See also:

Cutler Hammer Mfg. Co. v. Beaver Machine & Tool Co. (C. C. A. 2), 5 Fed. (2d) 457, 461;
Miller v. Eagle Mfg. Co., 151 U. S. 186, 38 L. Ed. 121, 127, 128.

Lack of invention.

In *Remington Rand Business Service, Inc. v. Acme Card System Co.* (C. C. A. 4), 71 Fed. (2d) 628, Soper, Circuit Judge, held (l. c. 634, 635):

“(9) If there should be any doubt on this point, it is dispelled by the patent to Anchell No. 836,358, of November 20, 1906. Anchell’s invention related to devices for exhibiting samples of lace, fabric, or the like, and consisted in a leaf or panel for displaying the sample, and marginal members with inturned flanges to receive the ends of the strips of goods to be displayed. The construction of the marginal members is substantially identical with that of Soans, with the slight point of difference (which likewise exists in the Remington structure), that the bead member did not inclose the web. This was an immaterial difference, as we have shown in discussing the question of infringement. The only answer suggested to this reference is that the Anchell structure was made of paper and hence would not fill the demands made upon frames designed to hold visible index strips. It is not necessary, however, for the purpose in view, that the Anchell patent be considered a complete anticipation to the patent in suit. It is sufficient that it suggests to one interested in the problem the means of solving it. When we consider the result which Soans was striving to achieve, and note the comparative simplicity of the problem, it is clear that it did not require invention to solve it in view of the suggestions in the kindred art contained in the Rudolph and Anchell patents.”

In *Atlantic Works v. Brady*, 107 U. S. 192, 27 L. Ed. 438, 441, Mr. Justice Bradley held:

“To grant to a single party a monopoly of every slight advance made, except where the exercise of invention, somewhat above ordinary mechanical or engineering skill, is distinctly shown, is unjust in principle and injurious in its consequences.

“The design of the patent laws is to reward those who make some substantial discovery or invention, which adds to our knowledge and makes a step in advance in the useful arts. Such inventors are worthy of all favor. It was never the object of those laws to grant a monopoly for every trifling device, every shadow of a shade of an idea, which would naturally and spontaneously occur to any skilled mechanic or operator in the ordinary progress of manufactures. Such an indiscriminate creation of exclusive privileges tends rather to obstruct than to stimulate invention. It creates a class of speculative schemers who make it their business to watch the advancing wave of improvement, and gather its foam in the form of patented monopolies, which enable them to lay a heavy tax upon the industry of the country, without contributing anything to the real advancement of the arts. It embarrasses the honest pursuit of business with fears and apprehensions of concealed liens and unknown liabilities to lawsuits and vexatious accountings for profits made in good faith.”

See also:

Railroad Supply Co. v. Elyria Iron & Steel Co.,
244 U. S. 285, 61 L. Ed. 1136, 1148;

Haggerty et al. v. Rawlings Mfg. Co. (C. C. A.
8), 14 Fed. (2d) 928, 930.

POINT II.

Non-Infringement.

Defendants Did Not Jointly or Severally Infringe the Patent, or Contribute to Infringement Thereof, and Particularly of Claims 1, 2, 4 and 7 to 10, Inclusive, Thereof, or of Any of Said Claims.

Ex parte tests not reliable:

In *Shimadzu et al. v. Electric Storage Battery Co.* (D. C. E. D. Pa.), 17 Fed. Supp. 42, (affirmed 98 Fed. (2d) 831) Kirkpatrick, District Judge, held (l. c. 51, 52):

“Using this method as his principal support, the plaintiff’s expert testified to the existence of the lead suboxide as a chemical compound, and to its presence in the product of the defendant’s mill. Using the same method, the defendant’s experts reached a diametrically opposite conclusion. * * *

“Without questioning either the accuracy of Dr. Clark’s experimental data or the sincerity of his rather guarded conclusion, or that of the much more positive opinions of the defendant’s experts, my verdict must be ‘not proven’ as to either the existence or nonexistence of the questioned substance.
* * *

“(8) This recalls us to the fact that we are engaged in the determination of a dispute between two parties in a court of law, rather than in an excursion into the realm of scientific research, and we must approach the question from the standpoint of the rules which the law has established for resolving the controverted issue. The patent is by reason of its issue presumptively valid and the burden of proof is upon the defendant to show its

invalidity. I am unable to find as a fact that lead suboxide does not exist. The burden has not been met, and the product claims are therefore held valid.

“(9) On the other hand, the burden is upon the plaintiff to prove infringement. He has not established the fact that suboxide is to be found in the defendant’s product and so has failed to meet the burden. I therefore hold that the claims above referred to are not infringed.”

In *Tropic-Aire, Inc. v. Auto Radiator Mfg. Co.* (C. C. A. 7), 96 Fed. (2d) 345, 349, 350, Sparks, Circuit Judge, held:

“We think appellant’s tests are not fair to appellee’s system, and that when it is used according to appellee’s instructions, it follows rather closely the prior art hereinbefore referred to and does not infringe the Waters patent. It is quite possible that appellee’s tests did not disclose results which were absolutely perfect, but to us they seem to be quite logical and approximately correct. However that may be, the burden was upon appellant to establish infringement. For reasons hereinbefore stated we are unwilling to accept its tests as proof of that fact, and though it be conceded that appellee’s tests were not proper to prove non-infringement, the fact remains that infringement has not been established, and we so hold.”

See also:

Carnegie Steel Co. v. Cambria Co., 185 U. S. 403, 420, 46 L. Ed. 968;

Bethlehem Steel Co. v. Niles-Bement-Pond Co. (C. C. D. N. J.), 166 Fed. 880, 887, 888; (affirmed 173 Fed. 1019).

Plaintiffs' proof does not meet the tests which they, themselves, set up:

In *Hewitt v. American Telephone & Telegraph Co.* (D. C. S. D. N. Y.), 272 Fed. 194 (affirmed 272 Fed. 392) Mayer, District Judge, held (l. c. 200):

“Finally, it remains to consider the point that there is an infinitesimal amount of air in the evacuated space of defendant's bulb. To hold that this fact, which is irrelevant to the principle on which defendant's devices act, justifies the conclusion that defendant infringes, would be to substitute words for substance. *Westinghouse v. Boyden Power Brake Co.*, 170 U. S. 537, 568, 18 Sup. Ct. 707, 42 L. Ed. 1136; *Westinghouse Air Brake Co. v. New York Air Brake Co.*, 119 Fed. 874, 56 C. C. A. 404; *Western Electric Co. v. Western Tel. Const. Co. et al.* (C. C.), 79 Fed. 959, 961.”

See also:

Standard Paint Co. v. Bird (C. C. A. 2), 218 Fed. 373, 378, 379;

American Adamite Co. v. Mesta Machine Co. (C. C. A. 3), 18 Fed. (2d) 538, 539;

Grand Rapids Showcase Co. v. Measuregraph Co. (C. C. A. 8), 28 Fed. (2d) 497, 506, 507.

Estoppel by file wrapper:

In *Royer v. Coupe*, 146 U. S. 524, 532, 36 L. Ed. 1073, 1077, Mr. Justice Blatchford held:

“If the plaintiff did make such an invention and was entitled to claim a patent for it, he has failed to secure such a patent. On June 10, 1873, he

put in a claim to the mode of preparing rawhides by the fulling operation and the preserving mixture. That claim was rejected by the Patent Office, and he withdrew it on October 29, 1873. Nor can he, under the present patent, claim as a new article of manufacture the rawhide thus prepared, for he made that claim on June 10, 1873, it was rejected, and he struck it out on October 9, 1873.

“It is well settled, by numerous cases in this court that under such circumstances a patentee cannot successfully contend that his patent shall be construed as if it still contained the claims which were so rejected and withdrawn. *Roemer v. Peddie*, 132 U. S. 313, 317, 10 S. Ct. 98 (38 L. Ed. 382, 383) and cases there cited. The principle thus laid down is, that where a patentee, on the rejection of his application inserts in his specification, in consequence limitations and restrictions for the purpose of obtaining his patent, he cannot, after he has obtained it, claim that it shall be construed as it would have been construed if such limitations and restrictions were not contained in it.” (Citing cases.)

In *Greenwalt v. American Smelting & Refining Co.* (D. C. D. Montana), 3 Fed. (2d) 658 (affirmed C. C. A. 9, 10 Fed. (2d) 98), Bourquin, District Judge, held (l. c. 660):

“(2) Moreover, plaintiff thus construed his general and ambiguous claims in order to induce acceptance of his application for patent, and he amended the specifications to emphasize the ‘seal of air and gas tight joint.’ That construction, accepted by the grantor of the patent, is now conclusive upon plaintiff, even as is the like in any other variety of contract likewise secured. See *Supreme Mfg.*

Corp. v. Mfg. Co. (C. C. A.), 299 F. 66; Lorraine v. Townsend (C. C. A.), 290 F. 59; Selectasine Patents Co. v. Prest-O-Graph Co. (C. C. A.), 282 F. 224.”

See also:

Tschappat et al. v. Hinderliter Tool Co. (C. C. A. 10), 98 Fed. (2d) 994, 998;

Smith v. Magic City Kennel Club et al., 282 U. S. 784, 75 L. Ed. 707, 712;

Gasoline Products Co. Inc. v. Champlin Refining Co. (C. C. A. 10), 86 Fed. (2d) 552, 561;

Jensen-Salsbery Laboratories, Inc. v. O. M. Franklin Blackleg Serum Co. (C. C. A. 10), 72 Fed. (2d) 15, 18;

Wood v. Boylan et al. (C. C. A. 8), 19 Fed. (2d) 48, 51, 54;

Kausal v. American Seating Co. (C. C. A. 3), 56 Fed. (2d) 557, 558.

Proof of infringement must be definite, particularly in cases involving chemical reactions:

In *General Electric Co. v. Laco-Phillips Co.* (C. C. A. 2), 233 Fed. 96, 102, 103, Mayer, District Judge, held:

“If it be assumed that the Welsbach process or processes, if applied to tungsten, would produce the Just & Hanaman pure tungsten filament, the argument leads us nowhere. As Dr. Liebmann points out:

“Osmium belongs to the platinum group. The grouping of the elements primarily does not indicate that even the members belonging to one group have

all the same properties and answer to the same reactions. If that were so, chemical science would be at an end. * * * According to the periodic system, which is the theory of classification dominant today, tungsten forms one of four metals, chromium, molybdenum, tungsten, and uranium. Osmium is still a member of the platinum group, viz., platinum, iridium, osmium, palladium, rhodium, and ruthenium. The grouping of the elements in these classes does not involve the sameness of properties or of susceptibility to reactions. The grouping is effected on certain principles and certain facts which are known. If all members of one group had the same properties, there would be only one member possible. Conclusions as to new and unknown reactions cannot be drawn, even if two elements belong to the same group.'

“And as the same expert truly says:

“ ‘Chemistry is essentially an experimental science, and chemical prevision is as impossible today, in spite of the accumulation of the great knowledge, as it was in former times. What I said about members belonging to one group I say more emphatically of members belonging to different groups. No conclusions can be drawn from the behavior of an element belonging to one group as to the behavior of an element belonging to another group.’ ”

In *Naylor v. Alsop Process Co.* (C. C. A. 8), 168 Fed. 911, 919, Amidon, District Judge, held:

“It should be borne in mind in considering this subject that reasoning by analogy in a complex field like chemistry is very much more restricted than in a simple field like mechanics. This distinction has been frequently recognized by the courts.”

See also:

Tyler v. Boston, 7 Wall. (74 U. S.) 327, 330, 10 L. Ed. 93, 94;

Toledo Rex Spray Co. v. California Spray Chemical Co. (C. C. A. 6), 268 Fed. 201, 204;

General Electric Co. v. Allis-Chalmers Co. (D. C. D. N. J.), 199 Fed. 169;

H. Mueller Mfg. Co. v. Glauber (C. C. A. 7th Cir.), 184 Fed. 609, 614.

Burden of proof of infringement is heavily upon the plaintiffs:

In *Hatmaker v. Dry Milk Co.* (C. C. A. 2), 34 Fed. (2d) 609, 611, L. Hand, Circuit Judge, said:

“(3) As the plaintiff has the burden of proof upon the issue of infringement, he must suffer any doubt that may arise from the evidence.”

See also:

Hale Mfg. Co. v. Hafleigh & Co. (C. C. A. 3), 52 Fed. (2d) 714, 719;

Heidrink et al. v. Hardessen Co. (C. C. A. 7), 25 Fed. (2d) 8, 11;

Valzona-Marchiony Co. v. Perella et al. (D. C. W. D. Pa.), 207 Fed. 377, 379;

Edison v. American Mutoscope & Biograph Co. (C. C. A. 2), 151 Fed. 767, 773, 774;

Linde Air Products Co. v. Morse Dry Dock & Repair Co. (C. C. A. 2), 246 Fed. 834, 838;

Matheson v. Campbell (C. C. A. 2nd Cir.), 78 Fed. 910, 920-21);

National Mach. Corp., Inc. v. Benthall Mach. Co., Inc. (C. C. A. 4th Cir.), 241 Fed. 72.

POINT III.

Defendants' Procedure in Asking That Plaintiffs' Bill of Complaint Be Dismissed Under Authority of the Leitsch v. Barber Case Is Supported by Authorities.

Cyclopedia of Federal Procedure, Vol. 4, Sec. 1107, pp. 237, 238;

Fourniquet v. Perkins, 16 How. 82, 14 L. Ed. 854;

Western Union Telegraph Co. v. United States & Mexican Trust Co. et al. (C. C. A. 8), 221 Fed. 545, 551;

Duke Power Co. v. Greenwood County (C. C. A. 4), 91 Fed. (2d) 665, 668-9 (affirmed 302 U. S. 485);

In re Tucker (D. C. D. Mass.), 148 Fed. 928;

Smith v. Seibel et al. (D. C. N. D. Iowa, C. D.), 258 Fed. 454;

Holman v. Cross et al. (C. C. A. 6), 75 Fed. (2d) 909, 913;

Railway Register Mfg. Co. v. North Hudson R. Co. et al. (C. C. D. N. J.), 26 Fed. 411, 412;

Celluloid Manuf'g. Co. v. Cellonite Manuf'g. Co. (C. C. S. D. N. Y.), 40 Fed. 476, 477;

Central Improvement Co. v. Cambria Steel Co. et al. (C. C. A. 8), 210 Fed. 696, 699, 700;

Burke v. Davis (C. C. A. 7), 81 Fed. 907, 910.

In the United States
Circuit Court of Appeals
For the Ninth Circuit. 2

RESEARCH PRODUCTS Co., LTD., a corporation, CALIFORNIA PRODUCTION Co., a corporation, HENRY BRANHAM, ARTHUR J. DIETRICK and ABRAHAM M. HERBSMAN,
Appellants and Defendants,

vs.

THE TRETOLITE COMPANY, a corporation and TRETOLITE COMPANY OF CALIFORNIA, LTD., a corporation,
Appellees and Plaintiffs.

BRIEF FOR APPELLEES.

LEONARD S. LYON,
Los Angeles, Calif.,

FRANK E. BARROWS,
New York, N. Y.,

PAUL BAKEWELL,
St. Louis, Mo.,

Attorneys for Appellees.

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No. 9058

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

RESEARCH PRODUCTS CO., LTD., a corporation, CALIFORNIA PRODUCTION CO., a corporation, HENRY BRANHAM, ARTHUR J. DIETRICK and ABRAHAM M. HERBSMAN,
Appellants and Defendants,

vs.

THE TRETOLITE COMPANY, a corporation and TRETOLITE COMPANY OF CALIFORNIA, LTD., a corporation,
Appellees and Plaintiffs.

BRIEF FOR APPELLEES.

This is an appeal by defendants below from a decree entered in the Southern District of California sustaining Letters Patent No. 1,467,831 owned by appellees and granting the usual relief for infringement thereof. The patent is entitled "Process for Treating Petroleum Emulsions" and was granted to cover the discovery made by William S. Barnickel of St. Louis, Missouri, of the ability of certain chemicals to break crude oil emulsions much more effectively than anything theretofore known in the art.

The case was tried before a special master (David B. Head, Esq.), who filed an exhaustive report setting forth his findings of fact and conclusions of law [I. 128-153].* Defendants filed numerous exceptions to the master's report [I. 155-170] and these were argued orally to the Court and submitted on briefs. The exceptions to the master's report were overruled by the Court (Judge Hollzer) in a written Memorandum of Conclusions [I. 171-177] and after the entry of separate Findings of Fact and Conclusions of Law [I. 178-185] pursuant to former *Equity Rule* 70½ the Court made the decree [I. 186-190] from which defendants appeal.

Appellants' brief** presents no principal defense in this case. Whatever has occurred to appellants' counsel has apparently been presented without special regard to whether it may be good or bad. It is asserted, *1st*, that the master and court below were wrong in sustaining the validity of the patent (Appellants' Brief, pp. 10-47); *2nd*, that appellants have not infringed the patent irrespective of its validity (*Id.*, pp. 48-65); and, finally, that no relief should be granted appellees even though the patent be valid and infringed because it is contended that appellees have made an illegal use of the patent (*Id.*, pp. 65-79). The success of any one of these propositions depends upon

*The record [in four volumes] will be referred to by giving the volume in Roman numerals followed by the pages in Arabic numerals.

**Appellants' brief does not comply with the rules of this Court. Appellants have not complied with former rule 24(d) of this Court requiring them to identify the assignment of error relied upon preceding the argument addressed to it nor with the requirements of present rule 24(d) of this Court (effective Dec. 19, 1938) requiring that in alleging error in the ruling upon the report of the master, they "state the exception to the report and the action of the court upon such exception."

the existence of the facts required to support the proposition. It has been found below that no such facts exist.

Appellants badly misconceive the burden faced by them on this appeal. They seem content to rely upon such of the evidence as they deem favorable to themselves, ignoring any conflicting evidence no matter how overwhelming, and disregarding entirely the effect of the findings made in the court below. This does not comply with the repeated holdings of this Court that the findings of the master, when approved by the trial court, are entitled to great weight (*Waxham v. Smith*, 70 F. (2d) 457; *Anraku v. General Electric Co.*, 80 F. (2d) 958) and that this Court will not weigh the evidence where there is substantial evidence to support the findings (*Stoody Co. v. Mills Alloys*, 67 F. (2d) 807. In accord with the new *Rules of Civil Procedure* the master's findings of fact must be accepted "unless clearly erroneous" [rule 53(e2)] and these findings shall not be set aside upon appeal unless clearly wrong [rule 52(a)]. Appellants' brief cannot and does not purport to sustain this burden.

The patent lies in a complex field of organic chemistry. The consideration of the evidence determinative of the issues of validity and infringement requires an understanding of that chemistry. It is not true, as stated in appellants' brief (p. 6) that the questions involved may be determined "by application of laws of merely elementary chemistry or by simple reasoning." The facts must be understood and they are complex chemical facts. In view of his technical training and experience the subject pre-

sented no difficulty to the special master. The District Judge before proceeding with the oral argument on the exceptions to the master's report and after having read the briefs suggested that the court required the aid of a technical advisor, saying:—

“The exhibits offered on behalf of respective litigants are not only quite considerable in number but primarily involve highly technical matters dealing with some feature of chemistry; and, of course, the Special Master's report indicates very clearly that he was called upon to analyze and pass judgment upon the reasoning and the theories expounded by these technical experts, as well as to construe exhibits involving the same matters.

“Personally, I would feel that a court is more apt to reach an intelligent and just and correct result in this case if it had the assistance of a disinterested qualified expert.”

[III. 1210: See also III. 1219-20.]

Accordingly with the consent of the parties Dr. Beckman of the California Institute of Technology sat with the court at the hearing on the exceptions to the master's report [III. 1225]. In the following discussion of the issues raised in appellants' brief we shall show that each of such issues is determined by the existence of one or more facts, that such facts have in each instance been established in favor of appellees, and that there is ample evidence to support these findings as made below. Before proceeding to a discussion of the issues we shall explain the patent in suit and the invention covered thereby, something entirely lacking in appellants' brief.

The Patented Invention.

The patent in suit relates to a peculiar art, namely, the separation of crude oil emulsions into oil and water by the use of a relatively small quantity of a chemical. Much of the crude oil as produced contains water emulsified in the oil. The water is suspended in the oil in the form of fine droplets. These droplets are surrounded by films which prevent their coalescing so as to settle by gravity from the oil. To break the emulsion it is necessary to overcome or destroy these protective films. Crude oil containing emulsified water is not merchantable.

The problem of breaking crude oil emulsions has been one of long standing. It has been attacked electrically, mechanically and chemically. Two methods have succeeded and these are best adapted to different types of oils. High voltage electric currents have been and are used with success on some oils, particularly many of the kind produced in California. The basic Cottrell patent covering this electrical method was sustained by this Court (*Petroleum Rectifying Co. v. Reward Oil Co.*, 260 F. 177). The use of relatively small quantities of chemical is the method pioneered by Barnickel.

The history of Barnickel's work on this subject is given in the testimony of J. S. Lehmann, the president of The Tretolite Company, who was called as a witness by the defendants [II. 598-610]. Barnickel was a chemist living in St. Louis, where he worked for a drug firm on a small salary. In 1907 he visited an oil field in Oklahoma and first learned of the immense waste of emulsified oils which was occurring. The condition there was common throughout the oil fields of this country.—

“As one man confidently put it, ‘more waste oil was run down the creeks from the famous Glen Pool than was ever produced in Illinois.’”

(Bureau of Mines Bulletin (1913), Technical Paper #45, p. 23.)

It occurred to Barnickel that there must be some chemical method by which this oil could be conserved. He secured samples of the oil field emulsions and tested these with various chemicals in a small laboratory which he fitted up in the basement of his home. Barnickel had his first success with the use of sulfate of iron (copperas). He was able successfully to break large quantities of roily oil from the Harrel well in northern Louisiana using this chemical. Barnickel's first patent, No. 1,093,098, was issued on April 14, 1914, to cover the use of this chemical [Exhibit W-1—IV. 433]. This patent is referred to as the sulfate patent, and is not involved in this suit.

Barnickel soon learned that copperas could be successfully used on but few emulsions. Attempts to use copperas on roily oil from Texas and Oklahoma failed. Barnickel and Lehmann were greatly disappointed. Early in the spring of 1913 Barnickel told Lehmann that he had made a new discovery. This was that ordinary water softeners of the type used to precipitate hardness from water, such as soda ash and sodium oleate (common soap), would successfully treat many of the emulsions which could not be treated with copperas. A contract was made with the Mt. Vernon Oil Company and in the spring of 1914 Barnickel successfully treated a considerable quantity of roily oil at Tanaha, Oklahoma, using sodium oleate as the chemical. A second patent, No. 1,223,659, issued April 24, 1917, was secured to cover the use of ordinary water softeners [Exhibit 1—IV. 1]. This patent was sustained and held infringed by the Circuit Court of Appeals for the Eighth Circuit in the case of *Producers & Refiners Corp. v. Lehmann*, 18 Fed. (2d) 492, the Court construing the patent as follows:—

“The use of water softening agents for breaking up roily oils and recovering the oil contained as a commercial product is the process covered by patent 1,223,659, the patent found infringed.”

(18 F. (2d) 492, at 494.)

Prior to the filing of the instant suit analyses were made of the chemical employed by the defendants and these analyses showed that the chemical used by the defendants is a water softening agent. Accordingly the water softener patent, No. 1,223,659, was included in this suit. At the trial it developed and the master found that the defendants' chemical has water softening qualities but not of sufficient extent when used in the small quantities employed in treating the crude oil emulsions to have any appreciable water softening action. Accordingly the master though upholding the validity of the water softener patent found that the same was not infringed [I. 149-50]. Since the water softener patent expired before the case could be heard in the District Court, appellees took no exception to the finding of the master and the infringement of that patent is no longer an issue in this case.

Following his discovery of his water softener process Barnickel engaged in the business of commercializing that process and obtained a limited measure of success. However, it developed that there were serious limitations with that process which prevented its widespread adoption. Many crude oil emulsions were encountered which could not be broken at all with a simple water softener [II. 501, 519]. A complete breaking of any emulsion was rarely obtained [II. 511-12, 518]. An excessive quantity of water softener was required of the order of one drum to one thousand barrels of oil recovered [II. 507, 528]. The simple water softeners referred to in the water softener patent were of two types. The first was an inorganic material such as sodium carbonate (soda ash). The other was an organic material consisting of a suitable fatty acid neutralized with an alkali (common soap). As early as 1913 Barnickel had begun experimenting with another class of materials of a different type. These latter chemicals involved reacting a fatty material with sulfuric acid in such a manner as to modify the fatty acid radical by

addition or substitution reactions. While engaged in treating roily (emulsified) oil for the Mt. Vernon Oil Company at Tanaha, Oklahoma with a simple water softener, in the spring of 1914 Barnickel had conducted some experimental tests using a chemical produced by reacting red oil (oleic acid) with sulfuric acid. These tests were successful but no attempt was then made to place such a treating agent in commercial use because of the decided objection on the part of pipe-line operators to the use of any chemical made with sulfuric acid. By early 1918 Barnickel realized that the limitations of his water softening agent could not be surmounted and he determined to push the modified fatty acid type of chemicals. Chemists were hired and undertook the commercial production of these materials. Late in 1918 Barnickel learned that two of his associates, Dons and Hinrichs, had both applied for patents covering the use of these new agents. Barnickel immediately prepared his application for the patent here in suit and the same was filed on Jan. 4, 1919. An interference contest was fought through the Patent Office and was successively decided in Barnickel's favor by the Examiner of Interferences [III. 933], the Board of Examiners-in-Chief [III. 944] and by the Commissioner of Patents [III. 956].* The patent here in question, No. 1,467,831, issued on Sept. 11, 1923 [IV. 7] and is known as the modified fatty acid patent.

The first commercial manufacture and sale of a modified fatty acid covered by the patent here in question occurred early in 1919 after the application was filed for the patent in suit. The product was in liquid form (the water softeners were solids) and was known first as liquid Tretolite and later simply as Tretolite. During the year

*The issue raised and decided in these interferences was whether Dons and Hinrichs were prior original inventors or whether they derived their knowledge from Barnickel.

1919, 341 drums of this liquid Tretolite were sold as compared with 306 drums of the earlier Okla (water softener). The business grew out of all proportions to any business that had ever been done with Okla. Ronly oils that could not be treated with the simple water softeners were treated without difficulty with the liquid Tretolite. The liquid Tretolite proved to be ten times as effective as the Okla [I. 398]. One drum of the modified fatty acid agent was found sufficient to recover 10,000 barrels of oil [II. 528]. The operators found no difficulty in obtaining a complete separation of the emulsion. In a few years the use of a simple water softener had been completely abandoned. The use of Tretolite covered by the patent here in question has since continued to be standard practice throughout the oil producing industry. This use today extends throughout all the oil fields of this country and into many foreign countries. The comparative sales by years of the agents of the water softener and modified fatty acid patents are set forth in Exhibit 32 [IV. 45]. Exhibit 32 shows that appellees have sold over 173,000 drums of this chemical between 1919 and 1934 [II. 493; the trial of this case began in March, 1935]. For this appellees received [at a price of \$100. per drum - II. 493-4] in excess of seventeen million dollars; but by the use of this chemical more than a *billion* barrels of oil have been recovered. These achievements are not outranked by any of the inventions found in the books. Judged by the benefits which he conferred Barnickel ranks with any of the foremost inventors who might be named. When we add to this the fact that he solved an old and long-standing problem which others had come to conclude could not be solved it would seem justifiable to view with impatience any belittling of what he did.

The master and court below have found that the modified fatty acid patent clearly discloses and claims the use of a sulfonated fatty oil of the kind employed by the de-

fendants and held to infringe in this case. In writing the patent Barnickel was faced with a difficult problem in selecting the terms to be employed to define the type of chemicals here involved. The molecular reactions that occur when fatty materials are acted upon by sulfuric acid are complex and varied. [See testimony of Monson, I. 311-370, and Exhibits 13-23, IV. 21-43.] It was incumbent upon Barnickel to define these chemicals in terms which would be understood by those skilled in the art. Unfortunately for him there were no agreed technical terms consistently employed to describe the product of the reaction of sulfuric acid on fatty materials. Such products had been variously referred to in the literature as sulfonated oils, sulfo-fatty acids, sulfonates of fatty acids, sulfurized fatty acids, etc. [III. 1054-5]. Therefore Barnickel wrote his own dictionary.* After a preliminary statement as to the nature of crude oil emulsions, Barnickel refers in his modified fatty acid patent [IV. 7] to his earlier sulfate and water softener patents. He then proceeds to distinguish the new agents from those disclosed in the earlier patents. Contrasting his new agents with the earlier agents, he says:—

“I have also discovered that when a fatty acid is modified by the action upon it of certain substituting chemicals or reagents capable of forming addition or substitution products and the resultant product or its ester or salt, which, for convenience, I will refer to as a ‘modified fatty acid’, is used to treat an emulsion of the character above referred to, the power of the treating agent to break the emulsion is greatly intensified.” (1/57-67.)**

*This he had the right to do. (*Kintner v. Atlantic Communication Co.*, 249 F. 73, at 75; *Cameron Septic Tank Co. v. Village of Saratoga Springs*, 159 F. 453, at 455.)

**In referring to the patent in suit the “shorthand” method of indicating the page and line will be adopted; thus, “(1/57-67)” indicates p. 1, lines 57-67.

This is further elaborated in the patent by the statement reading:—

“One group of substances that I have found to be very efficient for treating such emulsions consists of practically all substitution and addition products of the fatty acids and mixtures of the same. Hence, for the sake of brevity, I have herein used the term ‘modified fatty acid’ to mean a substance, which, in addition to being obtained by the action of a reagent on a fatty acid, also retains the fundamental characteristics of the fatty acids and bears a simple genetic relationship to the fatty acids, the intention being to include by this term all substitution and addition products of the fatty acids and mixtures of same, which possess most of the qualities or distinguishing characteristics of fatty acids, but not to include soaps of the kind mentioned in my U. S. Patent 1,223,659.”

(1/82-100.)

There was no issue between the parties at the trial of this case as to the meaning of the language thus employed by Barnickel. The meaning attached by plaintiffs was set forth in answer to interrogatories propounded by defendants. Defendants accepted the same and offered plaintiffs’ answers in evidence, thereby binding both parties. The meaning of the phrase “fundamental characteristics of the fatty acids” was established by the answer to interrogatory 22 [II. 574] and the meaning of the phrase “simple genetic relationship” by the answer to interrogatory 24 [II. 575]. The interrogatory answers were established to be correct by the testimony of Monson [I. 309, 324, 366; II. 432, 435, 463-4] and Morse [III. 1058, 1071-2]. This was adopted by the master in his report [I. 139-140] and the master’s finding was expressly confirmed by the court [I. 172]. The term “modified fatty

acid” was coined by Barnickel to meet the difficulty noted by the Patent Office Examiner in acting upon the patent application. In the action dated May 22, 1923 the Examiner stated:—

“The examiner appreciates the difficulty applicant has encountered in selecting a generic expression to include all the reagents employed and is unable to suggest one. . . .” [IV. 375.]

The master found that the meaning of the term “modified fatty acid” coined by Barnickel is sufficiently defined by the patent and that the term fairly distinguishes the chemicals covered by the patent from those that lie outside of the patent, saying:—

“The term ‘modified fatty acid’ is not found in chemical literature. It appears for the first time in the patent as a term coined by the patentee to designate generically a class of organic compounds. The patent and file wrapper history give fair definition to the term. It includes a large class of the products of reactions between fatty acids and reagents which cause substitutions and additions as heretofore described without destroying the fundamental long aliphatic chain and the COO—of the carboxyl group. This excludes any products of decomposition. Common soaps of the kind mentioned in the first patent are specifically excluded from the classification.

“At the time the specifications of the patent were drawn fatty acids and their derivatives as used in industrial arts such as the textile industry, soap and candle making were produced from vegetable and animal fats. In adopting the term ‘modified fatty acids’ the patentee was referring to this class of compounds and did not intend to include acids such as acetic acid. A patentee is entitled to define his own terms. *Rajah Auto Supply Co. v. Belvidere Screw and Machine Co.*, 275 Fed. 761.” [I. 141-42.]

The disclosure of the patent does not stop with the statement of the general chemical characteristics of the materials to be used and the application of the coined term "modified fatty acid" to define them, but proceeds to identify the specific materials by their technical names. This appears in the patent as follows:—

"While any substance derived from fatty acids and which retains the fundamental characteristics of the fatty acids, has the property of breaking such emulsions more or less effectively, the following derivatives of fatty acids are particularly well adapted for breaking these emulsions, namely, the esters, and sulfonates of fatty acids, the sulfo-aromatic compounds of fatty acids, sulfurized fatty acids, the salts and esters of such substances, and mixtures of two or more of the substances above mentioned. The most practical and satisfactory treating agents that I have thus far found, however, are the esters and aromatic compounds of sulfo-fatty acids, the sulfo-fatty acids, and the salts of such substances." (2/6-22.)

The materials thus specifically referred to by Barnickel are all products of the reaction of sulfuric acid on fatty materials [III. 1092-93]. The evidence establishes and the master found that these materials are known commercially in various grades under the trade name, Turkey red oil, the finding reading:—

"The products so obtained are commercially known as 'Turkey red oils'. The terms 'Turkey red oil' and 'sulfonated oil' have been used synonymously in industrial chemistry. It is correct to say that Turkey red oils are sulfonated oils but not that all sulfonated oils are Turkey red oils. They are so treated by Lewkowitsch beginning at page 207 Vol. III, 6th edition of his work. Turkey red or sulfonated oils are properly classified as sulfo fatty acids. When neutralized it is correct to classify them as salts of sulfo fatty acids." [I. 141.]

This finding was expressly confirmed by the court [I. 173]. The finding is amply supported by the evidence. The testimony shows that these chemicals are included under the trade name Turkey red oil whether the product is in the acid form or is partially or completely neutralized [II. 672, 676, 799; III. 1051]. In the technical literature these same materials have been given various names including sulfo-fatty acids, sulfonated oils, sulfonates of fatty acids, and sulfurized fatty acids [III. 1054-5].

The man skilled in the art would have no difficulty in recognizing from these chemical names that the materials referred to by Barnickel are the various sulfonated fatty products commonly known under the trade name of Turkey red oil. This was true of the Patent Office Examiner during the prosecution of the application for the patent. In the first official action of the Patent Office under date of Jan. 14, 1919 the Examiner stated:—

“Attention is called to Felt, 1,213,795, Jan. 23, 1917, 196-37, which shows the use of a sulpho-fatty acid for separating water from hydrocarbons, . . .”

[IV. 333.]

An examination of the Felt patent [Exhibit 63 – IV. 201] shows that it refers to “Turkey red oil” (p. 1, line 65; p. 2, lines 22, 31, 44 and 52). This is the substance mentioned in the Felt patent which the Examiner recognized as a sulfo-fatty acid. This clearly demonstrates that it was the understanding of the Patent Office in granting the patent that the terms of the patent (sulfo-fatty acid being expressly mentioned) were understood to include the products commonly marketed under the name Turkey red oil. This suit was tried and determined below on this simplification. By this means such highly technical questions as regard the nature of the varied molecules constituting the numerous addition and substitution products that are capable of being formed by the action of sulfuric acid on fatty materials was sought to be avoided. The

patent was granted with the understanding that it was to include the use of Turkey red oil. The chemical employed by the defendants is admittedly a Turkey red oil. The master so found [I. 148]. Why then go further?

The discovery patented in the modified fatty acid patent was a remarkable one. This was Barnickel's really great achievement and the discovery that has given him world fame. Barnickel lived long enough to see that he had succeeded in his work, but (dying in 1923) he did not live long enough to know that his success surpassed even his most optimistic expectations. There can be no question as to the patentable nature of this discovery. There was nothing by which it could be predicted. Turkey red oils or sulfo-fatty acids are no more effective water softeners than simple soaps [II. 695]. Consistent with the teachings of the water softener patent they would be expected to be no better treating agents. Barnickel discovered their power empirically as a result of a tireless and persevering search extending over many years. It is immaterial whether others could have made the same discovery if they had done what he did. To Barnickel goes the credit for he alone did it. It is well settled that his discovery of the theretofore unsuspected power and markedly superior effectiveness of these chemicals to break crude oil emulsions constitutes a patentable invention. The decision of the Circuit Court of Appeals for the Eighth Circuit (*Producers & Refiners Corp. v. Lehmann*) sustaining Barnickel's earlier water softener patent is ample authority to support this statement of the law. In that case the Court sustained the water softener patent because Barnickel had there discovered the previously unknown power of the simple water softeners to break emulsions more effectively than the copperas of his prior sulfate patent. By comparison, the water softener discovery was but a short step. The difference in demulsifying power between the water softeners and the prior copperas is

overwhelmed by the vastly greater difference in demulsifying power between the modified fatty acids and such earlier water softeners. Compare the decision of Judge Wallace in *Celluloid Mfg. Co. v. American Zylonite Co., et al.*, 35 F. 301, sustaining the discovery of Stevens of the value of fusel-oil as a solvent of camphor in conjunction with nitro-cellulose. See also *Naylor v. Alsop Process Co.*, 168 F. 911—C.C.A. 8. In this class of invention the law does not permit credit for the discovery to be denied upon any claim that after the discovery the selection of the new chemicals appears simple or obvious, because as stated by Mr. Justice Taft in *Corona Cord Tire Co. v. Dovan Chemical Corp.*, 276 U. S. 358, 72 L. ed. 610, at 614, the action of the chemical “can not be forecast by its chemical composition, for such action is not understood and is not known except by actual test.” Barnickel did not merely find another treating agent comparable in efficiency with those previously known. He found something ten times as good. There is ample authority that this is more than sufficient to uphold the patent.*

*In *Eibel Process Co. v. Minnesota & Ontario Paper Co.*, 261 U. S. 45, 67 L. Ed. 523, the patented improvement increased the output of paper making machines from 500 to between 600 and 700 feet per minute.

In *International Cork Co. v. New Process Cork Co.*, 6 F. (2d) 420 (C.C.A. 2), the patented improvement doubled the speed of production of bottle closures.

In *Elyria Iron & Steel Co. v. Mohegan Tube Co.*, 7 F. (2d) 827 (C.C.A. 2), the invention trebled the production of butt-welded thin-walled tubing.

In *Yablick v. Protecto Safety Appliance Corp.*, 21 F. (2d) 885 (C.C.A. 3), the new absorbent material increased the period of effectiveness of gas masks.

In *Silent Glow Oil Burner Corp. v. Crookes*, 6 Fed. Supp. 585 (D.C. Conn.), the invention increased the heat capacity of a burner from 25% to 40% and reduced the starting period from 30% to 50%.

In *Webster Loom Co. v. Higgins*, 105 U. S. 580, at 591, 26 L. Ed. 1177, the Court said:

“It was, certainly, a new and useful result to make a loom produce fifty yards a day, where it never before had produced more than forty; and we think that the combination of elements by which this was effected, even if those elements were separately known before, was invention sufficient to form the basis of a patent.”

Claims 1, 2, 4, 7, 8, 9 and 10 of the patent are here in suit. Claims 1 and 10 may be regarded as typical and read as follows:—

1. In a process for treating petroleum emulsions, the steps of subjecting the emulsion to the action of a modified fatty acid, as herein defined, to cause the emulsion to break and separate into an upper stratum of oil and a lower stratum of water or brine.

10. In the art of treating roily oil and bottom settlings, the process which comprises thoroughly commingling a sulfo fatty acid with the oil to be treated, thereby freeing the globules of water from the oil, and then permitting the relatively heavy substances in the oil to drop to the bottom of the mass, whereby the oil is separated from the water and impurities.

In claim 1 the agent is defined as a “modified fatty acid” whereas in claim 10 the agent is defined as a “sulfo fatty acid”. This distinction is of no importance here because all of the claims in issue were held infringed by the master and by the court. Both the court and the master found that the defendants’ infringing agent responds to both the definition of a modified fatty acid and the definition of a sulfo fatty acid within the meaning of the patent. We shall refer to this in greater detail when we come to the discussion of defendants’ denial of infringement. With the foregoing statement of the invention and patent here involved we shall now turn to the various contentions made in appellants’ brief. The answer to every one of these contentions will be found in the evidence contained in the record and the findings of the master and court below.

APPELLANTS' ASSERTION THAT THE PATENT IS INVALID.

(a) **For Alleged Indefiniteness.** — Appellants object to the term modified fatty acid and contend that it is too indefinite and too broad. The master [I. 144-45] and the court below [I. 174-75] have found that neither proposition is correct in fact. There is ample evidence to support such findings. In any event the attack on the term modified fatty acid if successful would not affect the validity of the patent as to the specific chemicals named in the specification (2/18-22) or the validity of the claims 9 and 10 in suit which do not employ the term modified fatty acid but call specifically for a “sulfo-fatty acid”.

The master was clearly correct in finding that the patent “gives fair definition” to the term “modified fatty acid” [I. 141] and it is not true that plaintiffs’ experts were unable to agree on the meaning of the term. The patent expressly states that the term “modified fatty acid” is used to define products resulting from the action upon a fatty acid of chemicals or reagents capable of forming addition or substitution products (1/57-64) which products retain the fundamental characteristics of the fatty acids and bear a simple genetic relationship thereto (1/87-93). An organic chemist would have no difficulty in understanding this language. Plaintiffs’ understanding of the term was set forth in answer to interrogatories [II. 574-75] and defendants accepted this meaning, offering in evidence plaintiffs’ interrogatory answers. These definitions embody nothing that cannot be learned from any text-book on organic chemistry. The patent specification is *prima facie* sufficient, and whether the definition of the patent is sufficiently clear is a question of fact and not of con-

struction. (*Schumacher v. Buttonlath Mfg. Co.*, 292 F. 522, 532 – C.C.A. 9.) The term “addition or substitution products” has a settled and definite chemical meaning. No explanation in the patent was required to render this term understandable to the skilled man in the art. Plaintiffs’ expert [I. 310, 323] and defendants’ expert [II. 795] had no difficulty in explaining the meaning of addition or substitution products. The term was repeatedly used by defendants’ counsel in cross-examination [II. 419, 721, 795]. No one at the trial purported to have any difficulty in understanding the meaning of this term, and everyone understood it the same. There is nothing mysterious or complicated about the “fundamental characteristics of fatty acids.” They are known to the organic chemist. It was unnecessary for Barnickel to recite this commonplace information in the patent. The fatty acids are the acids of vegetable and animal oils and fats. They are characterized in the free state by the general formula $R.COOH$, in which R is a long carbon chain aliphatic group and $COOH$ is the carboxyl group. The witnesses for both the plaintiffs and the defendants agreed at the trial that the “fundamental characteristics of fatty acids” are the presence in the molecule of the aliphatic as well as the carboxyl group [I. 308, 463-4; II 659, 834-5]. No chemist would have any difficulty in understanding the simple genetic relationship borne by a modified fatty acid to its parent fatty material. A fatty acid may be written as $R.COOH$. A modified fatty acid may be written as $R'.COOH$. The relationship between parent and derivative is clear from these two structural formulae. The derivative has one or more added or substituted elements or groups, represented by ($'$), in the aliphatic group. A fatty acid, and a modi-

fied fatty acid derived from the fatty acid, are as similar as R and R'. The relationship is at once apparent. There is no reason why the skilled chemist could not understand what Barnickel meant by the coined term "modified fatty acid" in the patent specification. This is fully set forth in the Court's Memorandum of Conclusions confirming the findings of the master [I. 174-75].

Appellants' brief (p. 12) complains of the fact that Barnickel in his patent merely identified the chemicals he sought to cover but did not describe how to manufacture them. There is a very simple answer to this proposition. There was no necessity for any description of how to manufacture the chemicals in question because the art already knew how to do so. Turkey red oils and sulfofatty acids were articles of commerce for more than forty years before Barnickel applied for his patent [II. 482; III. 1054-5; IV. 133, 185]. Their method of manufacture had been fully described in text-books [IV. 193-7]. This was the finding of the master, as follows:—

"The specification does not teach the method by which the treating agent or agents are to be manufactured, but the definition of the products given in the patent was addressed to persons in that art who would have had sufficient knowledge of chemical processes to have manufactured them. For example, the process of manufacturing Turkey red oil, a sulfofatty acid, was well known." [I. 144.]

As skilled chemists knew how to manufacture the chemicals in question the master was correct in holding that this information need not be set forth in the patent.—

"That which is common and well known is as if it were written out in the patent and delineated in the drawings." (*Webster Loom Co. v. Higgins*, 105 U. S. 580, 586.)

“But the disclosure is addressed to those skilled in chemistry (*Minerals Separation, Ltd. v. Hyde, supra*, 242 U. S. at pages 270, 271, 37 Sup. Ct. 82, 61 L. Ed. 286), and we are impressed by what seems to us the greater weight of the evidence that the disclosure is ample for those so skilled.”

(*Toledo Rex Spray Co. v. California Spray Co.*, 268 F. 201, at 204-5.)

The fact that many specifically different substitution and addition products can be made from fatty acids and lie within the term modified fatty acid is not of itself detrimental to the patent. Their existence is due to the fact that variations in the product will result from variations in the proportions of materials, strength of materials, and in the temperatures and times of reaction employed in the manufacture, as explained in the testimony of Monson [I. 374-6; II. 452-3]. This presents no objection unless it be shown that the specification of the patent is not sufficiently clear to enable one skilled in the art to produce a chemical that would meet his requirements (*Oliver-Sherwood Co. v. Patterson-Ballagh Corp.*, 95 F. (2d) 70, at 78—C.C.A. 9). This cannot be shown in this case. The patent points out that the emulsions differ greatly in their composition and that in some instances one derivative of a fatty acid is more efficient than others in breaking a particular emulsion and in other instances an entirely different derivative or homologue will be found to be more efficient and economical (1/101—2/6). The law does not require that every one of the chemicals contemplated by the patent be adapted to treat every crude oil emulsion. This is illustrated by the decision of the Supreme Court in *Minerals Separation, Ltd. v. Hyde*, 242 U. S. 261, 61

L. Ed. 286, referred to in the master's report. In that case the flotation patent was sustained although the Court found that the process was effective with sulfide ores but had not proved applicable to oxide ores and required different oils for the best results with different individual sulfide ores. The selection of a particular oil for use on a given ore was held to require the mere skill of the calling.

The rule relied upon in appellants' brief (p. 12) that a patent calling for a large number of substances may be invalid, if but a few of the substances are effective, has no application in this case. To bring this case within that rule it is necessary that defendants show that at least some of the chemicals included in the patent are inoperative for the purpose. This the defendants have been unable to do as found by the master and the court below. The only evidence on this matter produced by the defendants was that the particular chemical substances disclosed in Exhibits P and Q would not break the particular emulsion from California Production Co.'s Davis No. 2 well. The master concluded that this evidence did not exclude the possibility that satisfactory results could be obtained with these chemicals on other emulsions and that the showing was not sufficient to maintain the defense [I. 145]. Furthermore the evidence does not establish that any of the materials relied on in Exhibits P and Q are among the materials covered by the patent in suit. Some 23 different chemicals are listed in these exhibits. Out of the materials referred to, only those purchased by the defendants from the Baker Castor Oil Co., were offered in evidence. These are Exhibits P-1 to P-7 and P-11 to P-16 [II. 782]. Defendants themselves do not know what these materials

are except by hearsay. No analysis of these materials was made and there is no knowledge of how the materials were produced [II. 772]. These materials may or may not be what the labels call for. None of them were made for the purpose of treating crude oil emulsions. The same materials in other form might be effective for that purpose. The first three materials referred to in Exhibits P and Q are simple esters of ricinoleic acid [II. 772]. They are merely organic salts corresponding to simple soaps and do not come within the patent in suit for the same reason that simple soaps are excluded. The next ten are special products purchased from the Baker Castor Oil Co. No reference to them can be found in any textbook relating to oils and fats. They were first produced in 1933 [II. 781]. They do not purport to be sulfonated products. The next seven materials in the list are, like the first three, admittedly all simple esters [II. 770-4]. Chloro-propyl-toluen-sulfonate and potassium ethanesulfonate, next appearing, are each conceded not to be fatty acid derivatives [II. 776]. This leaves only sodium sulfo-acetate and toluenesulfonyl acetic acid. These apparently are special laboratory materials made for the defendants in the chemical department of the University of Illinois and are not commercial materials [II. 768]. They purport to be sulfonated derivatives of acetic acid.* Neither of them can

*Acetic acid is not derived from animal or vegetable oils or fats and is not a fatty acid. As found by the court [I. 172], all members of the aliphatic series are not fatty acids. There is no question but that Barnickel had in mind only the higher members of the aliphatic series of the kind found in animal or vegetable oils and fats. As found by the master: "In adopting the term 'modified fatty acids,' the patentee was referring to this class of compounds and did not intend to include acids such as acetic acid" [I. 142]. This is a complete answer to appellants' argument (Brief, pp. 15-16) based on the fact that acetic acid is classified chemically as an aliphatic acid along with the fatty acids.

be considered a sulfo-fatty acid in either acidic or neutralized form. In view of this evidence the trial court properly found that none of these chemicals have any bearing on the validity of the patent in suit, as follows:—

“It further appearing with respect to the alleged 23 modified fatty acids which defendants claim will not break a crude oil emulsion, the evidence tends to prove that 10 of these are of unknown composition and that the remaining 13 lie outside of the scope of and are not relevant to, said patent No. 1,467,831;”.

[I. 176.]

Turkey red oil.— The propositions advanced at this point in defendants’ brief (pp. 17-19, 61-63) are entirely fallacious. In referring to Turkey red oil plaintiffs have in no manner admitted that the patent in suit is indefinite. Quite the contrary. Turkey red oil is referred to merely as a means of simplifying the technical phases of this case. The justification for this has been stated above (pp. 13-15). The situation was not misunderstood by the master or court below. As stated by the court:—

“It further appearing that many fatty acids are called oils in industrial chemistry, particularly sulfonated oils and sulfonated acids, and that the terms sulfonated oil and sulfo-fatty acid are used synonymously, and that all sulfonated oils in industry are referred to as sulfo-fatty acids and that the materials known as Turkey red or sulfonated oils are regarded as sulfo-fatty acids, and the evidence indicating that the term Turkey red oil probably was employed by witnesses during the hearing before the Master in an effort to clarify the testimony and provide a more convenient and understandable term for the treating agent described in the patent involved herein than was expressed in such patent;”.

[I. 173-74.]

While referring to Turkey red oil as a means of simplification, both the master and court have gone further and determined the issues of validity and infringement on the basis of the terms "modified fatty acid" and "sulfo-fatty acid" as appearing in the patent specification and claims. If this Court prefers it may disregard entirely all reference to Turkey red oil and consider the case solely on the basis of the more technical terms appearing in the patent. This will not change the result.

There is no justification for defendants' attempt (Brief, pp. 17-18) to deny that it is apparent from the patent that the chemicals covered by the patent are made by the action of sulfuric acid on a fatty material. It is true that the term "sulfuric acid" is not found in the patent. However, any chemist would know that a "sulfo-fatty acid" as specified in the patent is made by reacting sulfuric acid with a fatty material. The same is true of the other specific chemicals called for in the patent including the "sulfurized fatty acids." Defendants have misrepresented the testimony of Dr. Morse in their attempt to show the contrary. In explaining a sulfurized fatty acid Dr. Morse pointed out that this term was used to identify "the products resulting from the action of sulfuric acid on oils and fats" and referred to the book by Wright published in 1894 for his authority [III. 1053-54]. He did not deny that the term "sulfurized fatty acid" elsewhere "might have some other meaning" such as to apply to products produced by the action of sulfur at high temperatures or sulfur chloride at low temperatures as stated in Lewkowitsch [III. 1118-19]. This is totally immaterial. Nothing in the evidence justifies defendants' statement (Brief, p. 18) that Exhibit 13 shows a sulfo-fatty acid "not made by reaction with

sulfuric acid.” The ricinoleo-sulfuric acid given in the book by Lewkowitsch [IV. 23] and referred to by defendants is identical with the material made with sulfuric acid shown in Exhibit 15 [IV. 27]. Another name for chlorosulfonic acid is chlorosulfuric acid.* The specific difference between chlorosulfuric acid and the more commonly used 66° Bé. concentrated sulfuric acid is totally immaterial in this case and it makes no difference whether the specific chemical referred to in Exhibit 13 be made with one or the other. As found by the master:— “The patent is directed to the use of treating agents of a certain class and is not limited to agents made by a particular process.” [I. 148.]

The record fully supports the findings of the master and the court below that the wording of the patent is sufficiently definite to teach a skilled chemist the value of the products resulting from the action of sulfuric acid on fatty materials as agents for breaking crude oil emulsions discovered by Barnickel. The fact that Barnickel did not use the term “Turkey red oil” is of no consequence. He used the equivalent term, “sulfo-fatty acid.” Being a chemist he used the technical chemical term rather than the trade term. Defendants must admit that the disclosure of the patent is sufficiently definite with respect to these materials. Their only complaint is that the patent might be construed to include something else. That possibility, if it existed, would not concern us in this case. Defendants employ the specific material admittedly definitely prescribed in the patent. Under these circumstances the Court is not called upon in this case to determine the validity or scope of the patent beyond the issue of infringement here. As found by the master:—

“These claims are valid at least in so far as they read on sulfo fatty acids and we need to go no further in

*See “Inorganic Chemistry,” by Cady, 1912 Edition, p. 216. (McGraw-Hill, N. Y.)

this case. *Carnegie Steel Co. v. Cambria Iron Co.*, 185 U. S. 403, *Faultless Rubber Co. v. Star Rubber Co.*, 202 Fed. 927.” [I. 146.]

These cases fully support the master's view. As said by the Supreme Court in the *Cambria Iron Co.* case cited by the master:—

“Whether the claim would be void if construed to include cupola metal it is unnecessary to consider. It clearly includes metal from blast furnaces, and is not rendered void by the possibility of its including cupola metal. The claim of a patent must always be explained by and read in connection with the specification, and as this claim clearly includes metal taken from blast furnaces, the question whether it includes every molten metal is as much eliminated from our consideration in this case as if it were sought to show that the word ‘metal’ might include other metals than iron.” (46 L. Ed. p. 984.)

As said by the Circuit Court of Appeals for the Sixth Circuit in the *Faultless Rubber* case also cited by the master:—

“The Supreme Court has now firmly established the rule that a statute will not be held broadly invalid because its general language extends to some class, as to which its operation would be constitutionally forbidden. It will consider no such question, until the objection is made by one of the class which has the right to complain. It seems matter of fair analogy to say that a patent shall not broadly be held invalid only because of the possibility that in some future case its language may be too vague for intelligent application, when, in the only case which has arisen, and perhaps the only case which ever will arise, there is no such difficulty. The fact that a man's title to the edge of his field is doubtful is no defense to a trespasser on that part where the title is clear.”

(202 F. p. 931.)

(b) **For Alleged Abandonment.**

By Alleged Commercial Use.—The assertion that Barnickel abandoned the invention of the patent in suit by public use more than two years prior to the filing of the application for the patent is completely contradicted by the master's findings of fact to the contrary and the representation of the evidence on that matter found in appellants' brief is totally unwarranted and open to the gravest criticism. The master has found that the first commercial use of a chemical covered by the patent in suit "began in 1919" [I. 131] and that "there was no abandonment" [I. 147]. The evidence fully establishes the correctness of these findings. There is nothing in the record to establish anything to the contrary. Particularly the items relied upon in appellants' brief do not do so. An examination of the interference proceedings (Defts. Ex.'s C and C-1) will disclose nothing to support defendants' contention. The use of a sulfo-fatty acid at the Mt. Vernon Oil Co. at Tanaha, Oklahoma, in February, 1914, was purely experimental. No sulfo-fatty acid was employed by Barnickel for The Texas Co. at Cushing, Oklahoma, in 1915. The red oil obtained by Barnickel from the Goodwin Mfg. Co. for use at Tanaha in 1914 was ordinary oleic acid and not a sulfo-fatty acid or Turkey red oil.

The allegation in the preliminary statements filed by Barnickel in the Patent Office Interferences [III. 884-87] that he reduced the invention to practice prior to October, 1914 (referring to his experiments with sulfo-fatty acid conducted at Tanaha, Oklahoma, in February, 1914), in no manner establishes that in so reducing the invention

to practice he made any commercial or public use of the invention there. A process may be reduced to practice by performing an experiment and this need not be within the two-year period preceding the filing of the patent application. This is well settled. The defendants confuse a reduction to practice with a commercial use. There are numerous decisions where patents have been sustained for inventions that were reduced to practice more than two years prior to the application for the patent.* The evidence in the interference record fully establishes that although Barnickel had reduced the invention to practice experimentally as early as October, 1914, he did not make any actual commercial use of the invention until after 1918. Indeed this was the holding of the Patent Office tribunals. The Examiner of Interferences held that the testimony of Barnickel proved:—

“ . . . that Barnickel had knowledge of the use of sulfo-fatty acid in treating roily oil in the spring of 1913.” [Exhibit C-1, p. 5; III. 937.]

but that Barnickel did not

“adopt sulfo-fatty acid in actual practice until after he learned of Dons’ successful tests in Oklahoma.” [Exhibit C-1, p. 5; III. 942.]

**Western Electric Co. v. Sperry Electric Co.*, 58 F. 186 (C.C.A. 7); *Von Schmidt v. Bowers*, 80 F. 121, 143 (C.C.A. 9); *International Telephone Mfg. Co. v. Kellogg Switch Board & Supply Co.*, 171 F. 651 (C.C.A. 7); *Penn Electrical & Mfg. Co. v. Conroy*, 159 F. 943 (C.C.A. 3); *Westinghouse Electric & Mfg. Co. v. Saranac Lake Electric Light Co.*, 108 F. 221; *Appert v. Brownsville Plate Glass Co.*, 144 F. 115; *Harmon v. Struthers*, 57 F. 637; *J. E. Hanger, Inc. v. J. F. Rowley Co.*, 298 F. 359; *Eck v. Kutz*, 132 F. 758.

The earliest date for these tests claimed by Dons was in 1918. In affirming the Examiner of Interferences the Board of Examiners-in-Chief said:—

“We think any delay on the part of Barnickel either in filing his application or in making use of sulfo-fatty acid sold commercially is immaterial to a decision in this interference.” [Exhibit C-1, p. 22; III.955.]

The remainder of Barnickel’s preliminary statement relied upon by the defendants, that “since” October, 1914, he had manufactured and sold large quantities of the chemical, in no way supports the defendants’ contention that such chemical was on sale or in commercial use more than two years before the filing of the application for the patent in suit on January 4, 1919. The amended preliminary statement containing this allegation was executed by Barnickel on the 22nd day of May, 1919 [III. 887]. Barnickel there referred to the manufacture and sale of the chemical prior to the date at which he is speaking. The sale of the chemical was not begun until the early part of 1919 (Barnickel [III. 907]; Lehmann [II. 614]). The reference in appellants’ brief (p. 24) to a statement alleged to have been made by Barnickel’s attorney in argument of the interference may be disregarded. The admission of this statement was denied by the master [III. 874] on the authority of Circuit Judge Sanborn’s decision in *Atchison T. & S. F. R. Co. v. Sullivan*, 173 F. 456, at 463 (C. C. A. 8). No exception to this ruling was included in defendants’ exceptions to the master’s report. Mr. Bakewell had no knowledge of the matter except as appeared in the interference record to which he was addressing his argument. His inadvertent statement is not evidence.

There was no commercial use of a sulfo-fatty acid by Barnickel for the Mt. Vernon Oil Co. at Tanaha, Oklahoma, in February, 1914. As to this matter the finding of the master is as follows:—

“In February, 1914, he entered into a contract to treat oil for the Mount Vernon Oil Company at Tanaha, Oklahoma. While waiting for a treating plant to be built he tried experiments which included the treating of oil with a mixture of oleic acid and sulfuric acid and also with a mixture of these two with phenol. He concluded that such agents would treat roily oil but not as efficiently as sodium oleate. His commercial operations at Tanaha were carried on with sodium oleate.” [I. 146.]

This finding is amply supported by the evidence. It is in accord with the testimony of Barnickel contained in the interference record [III. 905-06]. This testimony clearly shows that sulfo-fatty acid was used in experimental tests only. These tests were conducted before the commercial plant had been completed at Tanaha. Barnickel particularly stated in his testimony that no sulfo-fatty acid was used in the regular operation of the plant and that the plant was operated with sodium oleate.— “I then started this plant in operation regularly using a solution of sodium oleate, . . .” [III. 906]. It is well settled that experimental tests do not constitute a commercial or public use and that it is not necessary that the patent application be filed within two years of such experimental tests. (*Walker on Patents* (6th Ed.) 139; *Elizabeth v. Pavement Co.*, 97 U. S. 134.) This would be true even if the oil treated in the course of such experiments had been sold. (*Smith & Griggs Mfg. Co. v. Sprague*, 123 U. S. 249.) However,

Barnickel's testimony shows that the few barrels of oil treated at Tanaha with the sulfo-fatty acid were not sold [III. 907].

The only other purported instance of a commercial use by Barnickel more than two years prior to the filing of his application asserted in appellants' brief (p. 22) is said to have occurred while Barnickel was working with The Texas Co. at Cushing, Oklahoma, in 1915. There is no evidence on this alleged occurrence in the record here. The testimony relied upon by appellants is represented to be quoted from the record in the suit on the water softener patent brought against Producers & Refiners Corp. (Defts. Ex. "D"). This record was received only to show what the issues were before that Court and the testimony in that regard was not admitted as evidence in this case [II. 559-60]. An examination of that record, however, discloses no justification whatever for the use attempted to be made of it by appellants. The purported quotation from the record appearing in appellants' brief (p. 22) is emasculated and only by thus distorting the testimony can it be represented to support appellants' contention. By referring to the record (Exhibit "D") it will be found that appellants have omitted from the testimony Barnickel's statement as to what chemicals he used in that operation. The omission reads:—

"I used Gold Dust, and that was not satisfactory because the temperature required was about 180 degrees Fahrenheit to get a separation, whereas my own formulae, the formulae which I had worked out, using oleic acid, and saponifying that to make soap, I could treat that at a temperature of 110 degrees Fahrenheit."

In other words the only chemicals there employed by Barnickel were the simple water softeners of his earlier patent. No sulfo-fatty acid was employed. Under these circumstances we can conceive of no justification for defendants arguing that the operation has any bearing on this issue of this case. The operation did not involve any chemical relevant to the patent in suit.

We have already referred to the testimony of Barnickel that sodium oleate was employed in operating the plant at Tanaha for treating the oil of the Mount Vernon Oil Co. [III. 906]. The master has so found [I. 146]. There is not the slightest justification for appellants' argument (brief, pp. 24-25) that this was made with Turkey red oil. The sodium oleate used at Tanaha was made by Barnickel from red oil (oleic acid) and caustic soda purchased at St. Louis. The red oil (oleic acid) was bought from Goodwin Mfg. Co. [IV. 519, 523]. Defendants' argument is based on the claim that this was not red oil (oleic acid), but was in fact Turkey red oil (sulfo-oleic acid). This is contrary to the testimony of the manufacturers of the material. Corbett testifies that the material sold to Barnickel was red oil and that Goodwin Mfg. Co. had no other oil to sell [III. 977]. His testimony is confirmed by Hamilton [III. 995]. It was ordinary commercial red oil extensively sold by Goodwin Mfg. Co. in carload lots in this country and in Europe for the making of soaps [III. 966]. This red oil was no different from the ordinary commercial product sold under that name by any other manufacturer [III. 973]. It was oleic acid [III. 990]. Defendants' contention amounts to saying that commercial red oil marketed in this country and in Europe in 1914 was not oleic acid but sulfo-oleic acid. This is

based on a misunderstanding by defendants of the process employed by Goodwin Mfg. Co. in making red oil. Goodwin Mfg. Co. employed the standard lime pressure method. Defendants apparently believe that, because sulfuric acid was employed in that process, the product was a sulfonated material. The evidence shows conclusively that this is wrong. In the lime pressure method lime is added in the process to assist the hydrolysis and sulfuric acid is subsequently added in amounts only equivalent to the lime to neutralize the lime and to break any emulsions formed. In such a process it is well known that there is no sulfonation of the oil by the sulfuric acid. (See testimony of Dr. Morse [III. 1068].)

By Alleged Suppression.—There is not the slightest basis for appellants' contention (brief, pp. 27-29) that Barnickel illegally suppressed the invention of the patent in suit. In making this contention appellants have entirely misconceived the law. The rule established in *Macbeth-Evans Glass Co. v. General Electric Co.*, relied upon by appellants has no application here. That rule is simply that where an inventor elects to commercially employ his invention as a secret process and does so for more than two years he cannot thereafter change his mind and decide to patent it. This rule has no application here. There is no evidence that Barnickel commercially employed his invention in secret at any time. We have already referred to the finding of the master that the first commercial use of the invention began in 1919 [I. 131] and the evidence to support that finding. This was after the filing of the application for the patent in suit on January 4, 1919. No further discussion of this subject is required because there

is no factual support for appellants' contention. The wording of *Section 4886 of the Revised Statutes* (35 USCA, Sec. 31) definitely limits the statutory two-year period within which an application must be filed to an invention which has been put "in public use or on sale." The two-year requirement of the statute does not apply to an invention which is neither put in commercial use nor on sale prior to the filing of the application. In such a case the inventor after his conception may withhold the filing of his application as long as he desires provided no third party intervenes before the patent application is filed.*

The foregoing clearly shows that the finding below that "there was no abandonment" [I. 147] of the patented invention was clearly correct. There was no commercial use of the invention more than two years before the filing of the application for the patent. There was no suppression because there was no secret use. The burden of proving abandonment was on the defendants. The law requires proof beyond a reasonable doubt to sustain such a defense. Ample authority for the holding below is found in the decision of the Sixth Circuit Court of Appeals in *Cleveland Trust Co. v. Scriber-Schroth Co.*, 92 F. (2d) 330, 335 (reversed on other grounds in 305 U. S. 47), in which the Court stated:—

"Questions relevant to actual or to constructive abandonment of inventions are questions of fact, Walker (6th Ed.) Sec. 152; Kendall v. Winsor, 21 How. 322, 330, 16 L. Ed. 165, and much weight must therefore be given to the findings of the master, who

* "Inventors may, if they can, keep their invention secret; and if they do for any length of time, they do not forfeit their right to apply for a patent, unless another in the meantime has made the invention, and secured by patent the exclusive right to make, use and vend the patented improvement."

(*Bates v. Coe*, 98 U. S. 31, 25 L. Ed. 68, at 73.)

saw and heard the witnesses. Consideration should also be given to the rule that concurrent findings of master and judge should not be set aside except for clear error, although this may prove to be an unsafe guide to just decision where exceptions to a master's report are unilluminated by oral argument and a decree entered without elucidation of the reasons upon which it is based.* The law, however, in reference to abandonment, requires that every reasonable doubt relevant to any such question should be resolved in favor of the patent, for it does not favor forfeiture. Walker, Sec. 152, and cases there cited. It was said by this court, *Gear Grinding Machine Co. v. Studebaker Corp.* (C.C.A.), 270 F. 934, 936: 'Abandonment depends upon intent, actual or imputed. The actual intent did not exist, and the circumstances do not require that the intent be by law imputed, as against the truth.' "

(c) **For Alleged Anticipation.**—As noted by the master [I. 142] patents to three prior inventions are asserted by appellants (brief, pp. 30-39) to anticipate the patent in suit. The master specifically found that none of them anticipate or disclose the patented invention [I. 144] as follows:—

British Patents to Lanza.—These patents [Exhibits W-15 and W-16; IV. 465, 471] are discussed in appellants' brief at pp. 30-33. Concerning them the master found [I. 143]:—

“These patents are concerned with the refining of fatty acids particularly the separation of olein and stearine by the addition of sulfo oleic acid. There is no problem here relating to crude oil emulsions. Defendants point out the reference to an emulsion in

*The exceptions to the master's report in the case at bar were submitted on exhaustive printed briefs and after full oral argument. The court below prepared and filed its Memorandum of Conclusions [I. 171-177].

the second Lanza patent. From an examination of both patents, taken together, it appears that the material acted upon is a solid (page 1, lines 19-20, Exhibit W-15). The second patent, directed to an apparatus, employs the same chemistry as the first patent and begins with the same material which is 'laid upon the filtering surface.' If an emulsion is formed it is after washing with the acid.

"These patents have no relevancy to the patent in suit."

These findings were expressly confirmed by the court below [I. 175] and are fully supported by the evidence. The Lanza patents relate to a process of separating stearine from olein with sulfo-oleic acid. This has nothing to do with breaking crude oil emulsions. The mixture of stearine and olein referred to in the patents is not a mixture of two liquids, one emulsified in the other, but is a mixture of solid matter (stearine) suspended in a fine state in a liquid (olein). Although called an emulsion, this mixture is a suspension and not an emulsion in the sense of the art concerned in this case [I. 397, II. 784]. The fact that sulfo-oleic acid may have been used to separate a solid from a liquid has no bearing on Barnickel's discovery of the effectiveness of sulfo-fatty acids for separating water from crude petroleum oil. Defendants do not claim that there is any disclosure of the latter in these British Lanza patents. They ask the Court to assume that anyone reading these Lanza patents would know that sulfo-oleic acid would separate a crude oil emulsion. There is nothing to justify such an assumption. It is only necessary to state

that no one ever obtained any such knowledge from the Lanza patents. These Lanza patents are foreign patents, and defendants are asking the Court to give them an effect which is not permitted by law. (*Carson v. American Smelting & Refining Co.*, 4 F. (2d) 463, 465—C.C.A. 9.)

Russian Patent to Berkgan.—This patent [Exhibit W-11; IV. 441] is discussed in appellants' brief at pp. 37-39. Concerning it the master found [I. 142-43]:—

“This patent appears to have been issued in 1914. There is considerable doubt as to whether a proper foundation was laid to support its admission in evidence. The special master does not consider it necessary to again review this matter as it does not affect the determination of the issue of anticipation by this patent. Berkgan was dealing with the same problem as Barnickel. His solution is by treating the roily oil with naphthenic acids. It is clear that naphthenic acids are not fatty acids or derivatives therefrom. Cancellation of the original claim 14 was, in effect, a disclaimer of the products of mineral oils. (See file wrapper.)

“Defendants' argument, that naphthenic acids treated with sulfuric acid can be called Turkey red oils and come within the class of treating agents specified in the patent for the reason that the plaintiffs have called a fatty acid treated by sulfuric acid a Turkey red oil, is not valid in fact or logic.

“This patent does not anticipate or affect the scope of the patent in suit.”

These findings are fully supported by the evidence in the record. To escape them defendants in their brief attempt to show that the naphthenic acids referred to in this Russian patent are modified fatty acids or sulfo-fatty acids, which the master found they are not. Defendants' contention can be answered in a single sentence. Naphthenic

acids are mineral acids and not fatty acids. Berkman employed only mineral oils; he used no fats. That naphthenic acids are not fatty acids was conclusively shown at the trial.—

“The Master: I can say now that, with as little as I know about this case, you cannot call naphthenic acids ‘fatty acids.’” [III. 845.]

This was conceded by Dr. Born, the expert for the defendants [III. 845-6]. Naphthenic acids are not at all similar to the modified fatty acids or sulfo-fatty acids of the patent in suit. Naphthenic acids do not have and are not claimed to have the effective power of the chemicals of the patent in suit. The specific agents of the patent in suit are sulfonated materials. Naphthenic acids do not produce sulfo acid derivatives. This is clearly stated in the article referred to in defendants’ brief, on naphthenic acids by Schnitz (Exhibit W-18) and is confirmed by the testimony of plaintiffs’ expert, Dr. Morse [III. 1082]. Naphthenic acids not being fatty acids and not being capable of sulfonation are clearly not modified fatty acids or sulfo-fatty acids as called for by the patent in suit. Nor is an acid-treated naphthenic acid a Turkey red oil as argued by defendants. For this contention defendants depend upon the following statement in Lewkowitsch [IV. 513]:—

“The production of Turkey-red oil by sulphonating the petroleum acids (naphthenic acids) has been patented by Petroff. 4.”

The note is to a German patent No. 274,786. At the trial plaintiffs established that this reference is clearly in error. The German patent of this number [Exhibit 60, IV. 159-173] was produced at the hearing and shown to relate to

a steam-engine and to contain nothing supporting the statement in Lewkowitsch. Defendants now rely upon a British patent to Petroff No. 19,759 of October, 1913 [IV. 515-17]. This patent was never received in evidence. However, it contains nothing to support defendants' entire assertion that a sulfonated naphthenic acid constitutes a Turkey red oil. In fact, a clear distinction is drawn in the British patent. The statement there is as follows:—"Similar to soap manufactured from castor oil which has been treated with sulphuric acid (Turkey red oil), the soaps obtained in accordance with the present process . . .," etc. [IV. 517, lines 16-18]. There is nothing to the effect that an acid-treated naphthenic acid constitutes a Turkey red oil. In fact the disclosure is to the effect that such a material is a substitute for, rather than a Turkey red oil. The statement is clearly that Turkey red oil is a product of the action of sulfuric acid on a fatty (castor) oil.

Rogers Patent.—This patent [Exhibit W-8, IV. 439] is discussed in appellants' brief, pp. 33-36. Concerning it the master found [I. 143]:—

"This patent was applied for after the effective date of the Barnickel invention and for that reason can not anticipate.

"Even if it were properly prior art, it does not anticipate the disclosures of the second patent. The treating agent specified by Rogers is petroleum oil treated with sulfuric acid. Petroleum oils, like the naphthenic acids of Berkman are not sulfo fatty acids, or modified fatty acids, as that term is defined by Barnickel."

The evidence in support of the master's findings regarding the Russian Berkgan patent likewise supports these findings of the master as to the Rogers patent. The Rogers patent proposes to treat petroleum emulsions with "a water soluble salt of sulfonic acid," explaining:—

"Sulfonic acids suitable for this use are now produced in considerable quantities in the treatment of high viscosity oils with fuming sulfuric acid to produce lubricants of the best grade, and also in the production of the highly refined oils used for medicinal purposes. I prefer to employ the sodium salt of such a sulfonic acid, which may be obtained by the direct neutralization of the acid with commercial sodium carbonate (normal)." [IV. 439, lines 16-26.]

Such sulfonic acids are neither modified fatty acids nor sulfo-fatty acids [III. 1079-80]. They are made from mineral oils and not from fats. They are not Turkey red oils [III. 1138]. The master was quite correct in finding that the disclosures of this Rogers patent are not material, even if the Rogers patent were early enough to anticipate Barnickel. The record clearly shows that Barnickel's date of invention anticipates the filing date of the Rogers patent. The application for the Rogers patent was filed on January 26, 1918. At the trial defendants introduced copies of the preliminary statements executed by Barnickel in the Patent Office interferences [III. 882-7]. These show that Barnickel conceived and disclosed the invention to others during the spring of 1913 and reduced the invention to practice prior to October, 1914, and thereafter conducted experiments leading to a disclosure of the invention to Dons in June, 1918. Defendants also

offered in evidence Mr. Lehmann's answer to interrogatory No. 130, as follows:—

“Interrogatory 130: When was process as described in patent 1,467,831 first used by patentee or on his behalf?

“Answer: Reduced to practice in the latter part of February or the early part of March, 1914, but not publicly used until the year 1919.” [II. 588.]

This was confirmed by Mr. Lehmann in the testimony given by him as a witness called by the defendants. He testified to a disclosure by Barnickel during February or March, 1914 [II. 589]. This evidence was not disputed. In their brief appellants (p. 36) refer to an affidavit filed in the Patent Office by Rogers on April 25, 1918. This affidavit is not in evidence in this case. The offer of the file-wrapper of the Rogers patent containing this affidavit was denied by the master [III. 1091] and no exception to this ruling was taken by the defendants. In any event the uncontradicted evidence offered by both parties establishes Barnickel's date of invention as prior to that of the purported affidavit.

(d) **For Alleged Lack of Invention.** — Notwithstanding the exhaustive search obviously made by the defendants, nothing has been found to throw any suspicion on the originality of Barnickel's work. The paucity of the prior art demonstrates the genuine novelty and patentable character of the discovery covered by the patent in suit. Confronted with this situation, defendants resort to the usual refuge sought by a defendant in such a situation. They argue without any evidence and after the event as to what might or might not have been obvious to the man

skilled in the art. This situation is familiar to the Court and requires no extended exposition of the law. This Court has long followed the lead of the Supreme Court in considering that novelty in the means and in the result is the primary test of invention. There is no suggestion of Barnickel's discovery in the prior art nor is there any evidence of any knowledge on the part of those skilled in the art that the chemicals covered by the patent could be used to effectively break crude oil emulsions. Their discovery followed a long and persevering search by Barnickel. Before he arrived at them he had first to exhaust the possibilities of other and inferior chemicals. If he had stopped with those he would never have reached the perfection provided by the chemicals of the patent in suit. Upon the evidence, the world owes its knowledge of the effectiveness of these chemicals to Barnickel. Thus from an objective viewpoint the discovery of the patent in suit fully responds to the test of invention established by the Supreme Court.* It is only by approaching the subject from a subjective viewpoint and speculating after the event and without evidence on what might or might not have been obvious to a man skilled in the art that one can possibly deny to the discovery of the patent in suit the attribute of a patented invention. But the Courts have long rejected this viewpoint and held that judges should not speculate after the event as to what might or might not have been

**Smith v. Goodyear, etc. Co.*, 93 U. S. 486, 492-7; *New Process, etc., Co. v. Maus*, 122 U. S. 413, 423-7; *Seabury v. Am Ende*, 152 U. S. 561, 567; *Diamond, etc., Co. v. Consolidated, etc., Co.*, 220 U. S. 428, 435-43; *Eibel Process Co. v. Minn., etc., Co.*, 261 U. S. 45, 52, 68; *Minerals Separation v. Hyde*, 242 U. S. 261, 266-70; *Holland, etc. Co. v. Perkins, etc., Co.*, 277 U. S. 245, 255; *DeForest, etc., Co. v. G. E. Co.*, 283 U. S. 664, 678-9.

obvious to the man skilled in the art. This is where the argument made by appellants fails, both in fact and law. As pointed out in *Diamond Rubber Co. v. Consolidated Tire Co.*, 220 U. S. 428, 435:— “The law has other tests of the invention than subtle conjectures of what might have been seen and yet was not.”

(e) **For Alleged Double Patenting.**— Appellants here contend (brief, pp. 41-47) that the patent in suit is a mere repatenting of the prior water softener patent. This obviously cannot be true in view of the rulings below that the use of the chemicals employed by defendants infringes the patent here in suit and does not infringe the prior water softener patent. Appellants' contention was fully considered by the master and is covered by the following finding [I. 144]:—

“The most pertinent reference to the modified fatty acid patent is the water softener patent. That patent discloses the use of a small group of treating agents which are soaps of the type of sodium oleate. The modified fatty acid patent discloses the use of a class of agents which are related to the soaps of the first patent only in that they both may be generally classified as belonging to that larger group of compounds derived from the fatty acids. The sulfo fatty acids of claims 9 and 10 are a sub group. The modified fatty acids of the other claims possibly include other groups but by disclaimer exclude the soaps of the water softener patent. It follows that there cannot be anticipation by the water softener patent or the use of Gold Dust which is one of the soaps of that patent.”

In confirming this finding the District Court said:—

“It further appearing there is nothing in the water softener patent, to-wit Patent No. 1,223,659, which suggests the use of a sulfo-compound or of any addition or substitution product of a fatty acid;”

[I. 175-76.]

Thus we have a situation where it has been found that the prior patent does not disclose the use of the chemicals covered by the second patent and is not infringed by the use of such chemicals. These findings are completely substantiated by the record. How then can it possibly be true that the second patent is nothing more than a duplication of the first? The proposition answers itself.

Nothing said in appellants' brief (pp. 41-47), is sufficient to raise any doubt as to the correctness of the findings below on this subject. The opinion given by Barnickel in the interference proceedings [III. 893-94] as to the scope of the claims of his water softener patent (which opinion was not sustained by the court in this case) was not received by the master as affecting the scope of that patent [III. 894]. Even if Barnickel had been correct in his view as to the scope of such claims his later patent here in question would still stand valid as a patentable improvement thereover.* The fact that the patent

**General Electric Co. v. Cooper Hewitt Electric Co.*, 249 F. 61, 66 (C.C.A. 6); *Century Electric Co. v. Westinghouse E. & Mfg. Co.*, 191 F. 350, 353 (C.C.A. 8); 48 *Corpus Juris*, Sec. 75, p. 74; *Allen Filter Co. v. Star Metal Mfg. Co.*, 40 F. (2d) 252 (C.C.A. 3); *General Electric Co. v. DeForest Radio Co.*, 23 F. (2d) 698 (D.C. Del.); *King v. Anderson*, 90 F. 500, 503-4.

here in suit includes and covers the neutralized products or salts of modified or sulfo-fatty acids (the soaps of such acids) in no manner conflicts with the findings below that the patent does not include or cover common soaps of the type described in the prior water softener patent. The patent itself makes the distinction clear, stating that it is not the intention "to include soaps of the kind mentioned in my U. S. patent 1,223,659" (1/98-100). The argument that the modified fatty acid patent is invalid for double patenting over the water softener patent is predicated on the assertion that in defining a modified fatty acid Barnickel was describing only the sodium oleate specified and claimed in the water softener patent. This is predicated on a false premise. The term modified fatty acid clearly distinguishes from a simple soap such as sodium oleate. In any event the argument does not apply to the sulfo-fatty acid claims. For no one can contend that a simple soap is the soap of a sulfo-fatty acid. In support of their contention defendants cite the decision of the Supreme Court in *Miller v. Eagle Mfg. Co.*, 151 U. S. 186, but quote only a portion of a sentence from that decision. If the sentence is completed the ruling will be found to fully support the findings and conclusions of the master and the court below in this case. The sentence in question concludes as follows: "where the second patent covers matter described in the prior patent essentially distinct and separable from the invention covered thereby, and claims made thereunder, its validity may be sustained." (151 U. S. 186, at 198.)

APPELLANTS' ASSERTION THAT THE PATENT IS NOT INFRINGED.

The chemical, the use of which is found to infringe in this case, is known as Hydrate 488. The production of this type of material for treating oil field emulsions was first undertaken by the defendants in 1927. This was several years after the grant of the patent in suit and many years after Tretolite had been universally adopted throughout the oil industry. The defendant Herbsman admits that he had known of Tretolite before undertaking this business [II. 688]. The case presents a flagrant example of the deliberate appropriation of a patented invention. It is admitted that the production of the infringing chemical was undertaken with the intention and knowledge that it should compete with Tretolite [II. 688]. No claim has been advanced that Hydrate 488 acts in any way different from Tretolite or for any different reason. The materials employed in the manufacture of Hydrate 488 and the method of manufacture are admitted. As described by Herbsman:—

“Fuming sulfuric acid is let into a mass of castor oil and stirred in the presence of a catalyst. After all the acid is in, the acid mass is stirred for 8 hours. It is then washed with water. The water, after settling, is drawn off. It is then given a second wash with sodium sulfate solution. The aqueous portion is again drawn off, and the supernatant layer is neutralized with aqua ammonia. This resultant product is then diluted with benzol. This is the finished product known as Hydrate 488.”

[II. 633-4.]

This is nothing more than the standard method of manufacturing a sulfo-fatty acid or Turkey red oil. Compare the method described by Hurst & Simmons [Exhibit 62, IV. 193-7]. That the claims of the patent in issue include Hydrate 488 is at once apparent. Hydrate 488 is a specific grade of the very material stated in the patent to be the most practical and satisfactory treating agent discovered by Barnickel (2/18-22). In holding that the use of Hydrate 488 is a clear infringement of the patent in suit the master after describing the materials and method employed in its manufacture and its characteristics as established by the analyses produced in evidence, found:—

“It follows that Hydrate 488 is a sulfo fatty acid which has been neutralized. Commercially it may be classified as a Turkey red oil. It is a ‘modified fatty acid’ in the sense that it contains substitution and addition products resulting from the action on ricinoleic acid of a reagent capable of forming such products.” [I. 148-49.]

These findings were expressly confirmed by the court in its decision [I. 176] and are supported by the overwhelming evidence. Each of the contentions made in appellants’ brief on this subject was fully considered below and determined against appellants. We shall now state the answer contained in the record to each of the contentions on which defendants base their denial of infringement and refer to the evidence relative thereto so far as is practicable within the limits of this brief.

The first proposition advanced by defendants (Brief, pp. 48-50) is that they employ castor oil as a parent material in lieu of a free fatty acid. As to this the master found:—
“That castor oil rather than free ricinoleic acid is used

as a parent material is immaterial.” [I. 148.] This finding was based on the uncontradicted evidence that the product would be the same whether made from the oil or from the free fatty acid. Castor oil contains a fatty acid (ricinoleic acid) in combined form as a glyceride. The fatty acid radical reacts with sulfuric acid to produce addition and substitution products [I. 314-15; II. 823]. This action occurs whether the parent material contains the fatty acid in combined form (castor oil) or in a free form (ricinoleic acid) [I. 321-22]. The resultant product is a modified fatty acid or a sulfo fatty acid and is the same product in either case. Under these circumstances it is perfectly clear that the manufacture of Hydrate 488 from castor oil as a parent material in no manner avoids the claims in suit of the patent. As found by the master:—

“The patent is directed to the use of treating agents of a certain class and it is not limited to agents made by a particular process.” [I. 148.] The governing factor in selecting the parent material is price [I. 321] and since castor oil is cheaper than free ricinoleic acid [II. 782] it is ordinarily used. There was nothing original about the employment of castor oil by the defendants for the production of a sulfo-fatty acid or Turkey red oil. Turkey red oils have been made from castor oil for many years [II. 482, III. 1054-5; IV. 133, 185]. The equivalence of a fatty oil and a fatty acid for this purpose has long been known and fully described in the literature. As said in *“The Technology of Fats and Oils,”* by Hefter, 1910 [III. 1060-1]:— “. . . precisely equivalent products are produced from castor oil and from free ricinoleic acid.” Similar disclosures are found in *“Textile Soaps & Oils,”* by Hurst, 1921 [III. 1060]; *“Chemistry of the Oil Indus-*

tries," by Southcombe, 1913, p. 89 [III. 1061]; "*The Sulfonation of Fixed Oils*," by Radcliffe & Medofski, 1918 [III. 1061; Exhibit 58, IV. 133]. The master was clearly correct in holding that the patent here in suit covers the use of specific chemicals for breaking crude oil emulsions and that the method of manufacturing these chemicals is immaterial. The patent was not issued to cover any particular method of manufacturing a sulfo-fatty acid and no method of doing so is described in the patent.

The next contention made by appellants (Brief, pp. 50-52) is the assertion that plaintiffs have not shown that Hydrate 488 contains substitution and addition products of a fatty acid. However this contention is in direct conflict with the finding of the master that Hydrate 488 "contains substitution and addition products resulting from the action on ricinoleic acid of a reagent capable of forming such products" [I. 149]. There is ample evidence to support this finding. Analyses of Hydrate 488 made by plaintiffs were filed in response to defendants' interrogatories. These were accepted and offered in evidence by defendants [II. 581-6]. From these analyses plaintiffs' chemist Monson established that addition and substitution products are present in Hydrate 488 by following the standard and accepted method of noting the reduction in Hydroxyl Number, the reduction in Iodine Number, and the change in Ester Number of the parent material occasioned by the action of the sulfuric acid [I. 381-2, 383-4]. The presence of organically combined sulfur trioxide was further established and shown to demonstrate that addition and substitution products had been formed

[I. 385]. At the hearing before the court defendants attempted to dispute the accuracy of the analytical methods used by plaintiffs' witness which had been accepted by the master and urged that in lieu thereof the court accept defendants' methods. This the court refused to do, saying:— "The evidence tends to establish the reliability of plaintiffs' methods and raises doubt as to the reliability of defendants' procedure." [I. 177.]

Appellants next contend (Brief, pp. 52-53) that plaintiffs have failed to show the presence of sulfo-fatty acid in Hydrate 488. This is answered by the findings below that Hydrate 488 is a sulfo-fatty acid. The master's report contains two findings: *1st*, "The defendants use a sulfo-fatty acid." [I. 146.] And, again: "It follows that Hydrate 488 is a sulfo-fatty acid which has been neutralized." [I. 148]. The court confirmed the master, holding that, "the defendants product, to-wit, Hydrate 488, being a sulfo-fatty acid which has been neutralized;" [I. 176]. These findings are supported by evidence which was not challenged or disputed by appellants. As testified by plaintiffs' chemist Monson:— "Q.—Is Hydrate 488, except for the diluent therein, a sulfo-fatty acid? A.—It is." [I. 394.] The fact that Hydrate 488 is shown to have been produced by the reaction of sulfuric acid on castor oil demonstrates the accuracy of this testimony. The resulting product is by common definition a sulfo-fatty acid. [See the testimony of Dr. Morse, III. 1054-5 and the admission of defendants' chemist Born, III. 837.] The reactions which occur when castor oil is treated with sulfuric acid are complex in nature and typical individual components in the resulting product are illustrated in the

charts, Exhibits 14-23 [IV. 25-43]. The term "sulfo-fatty acid" is used to identify the mixture of materials obtained in this manner. This was admitted by the defendant Herbsman. [II. 677.] It is not necessary to isolate a particular component. However, Monson did so and identified the individual component [II. 472].

There is no support for appellants' contention (Brief, pp. 54-55) that the cancellation of original claim 14 of Barnickel's application constitutes a disclaimer of a sulfonated fatty oil. We have shown above (pp. 48-50) that precisely the same product is produced by the sulfonation of castor oil or its free fatty acid. Castor oil contains a fatty acid (ricinoleic acid) in combined form. The fatty acid is liberated during the washing step in the manufacture of Hydrate 488. This is admitted by the defendant Herbsman:— "Q.—In other words, the free fatty acid is present at that point? A.—It is obtained at that point." [II. 683.] There is nothing in the fact that claim 14 of the original application was cancelled that helps the defendants in this case. Original claim 14 was never rejected. Before any amendment was made by Barnickel in response to the first Patent Office action, the Examiner suggested the inclusion of two additional claims for the purpose of interference. [IV. 335.] These are claims 9 and 10 of the patent calling for the use of a sulfo-fatty acid. The Examiner in declaring one of these interferences stated that original claim 14 was unpatentable over the issue of that interference, which issue is now claim 10 of the patent in suit [IV. 345]. The interferences were decided in favor of Barnickel and a further Patent Office action was entered allowing the two inter-

ference claims and calling for a response to the original Patent Office action [IV. 353]. An amendment was then filed in which for the first time claims were introduced defining the new agent as a modified fatty acid [IV. 355]. The original claims, including claim 14, were canceled by this amendment. Claim 14 was canceled voluntarily because the Examiner had indicated that it was unpatentable over the interference claims. The master disposed of defendants' contention in the original submission of his report as follows:— "Cancellation of the original claim 14 was, in effect, a disclaimer of the products of mineral oils" [I. 142]. In other words, the original claim in calling generically for a "sulfonated oil" thereby included a sulfonated mineral oil. The effect of the cancellation was to exclude mineral oil products but not fatty acid products defined in the other claims. In response to an exception to this finding the master in his final report stated that he had re-examined the file-wrapper and reiterated his finding [I. 152-53]. The finding below is clearly correct. There is no support in the file-wrapper proceedings for the contention that the cancellation of claim 14 creates any estoppel as regards a sulfonated fatty oil of the kind present in Hydrate 488.

There is likewise no support for appellants' contention (Brief, pp. 55-56) that the file-wrapper proceedings estop Barnickel from asserting that the use of a salt or neutralized product such as Hydrate 488 is an infringement of the patent claims in suit. The patent as granted by the Patent Office expressly includes the modified fatty

acids and sulfo-fatty acids either in neutralized or un-neutralized form. In defining "a modified fatty acid", referred to in claims 1, 2, 4, 7 and 8, the patent specification expressly includes an ester or salt (1/62-63). With reference to the "sulfo-fatty acids" referred to in claims 9 and 10 the specification expressly includes "the salts of such substances" (2/22). A salt is a neutralized product. It is elementary chemical knowledge that any acid is neutralized by reaction with a base. If the base is an alcohol (*i. e.*, organic in nature) an ester is produced. If the base is inorganic in nature a salt is obtained. Hydrate 488 is neutralized with ammonia (an inorganic base) and is a salt exactly as called for by the patent. As found by the master:— "When neutralized it is correct to classify them as salts of sulfo-fatty acids" [I. 141], and as said by the court, "a neutralized product is a salt" [I. 175]. An examination of the file-wrapper will reveal that nothing is there contained having the effect of excluding neutralized products from the scope of the issued claims. The application as originally filed by Barnickel included specifically salts [IV. 313, line 23] and esters [*Id.* line 32], and claim 13 of the original application specifically mentioned both salts and esters [IV. 329]. Following the favorable outcome of the interferences the specification was voluntarily re-written and new claims substituted for the original claims. It was expressly stated that this was solely for the purpose of "more clearly defining the invention" and that the re-written specification and claims

include the "neutral products and salts" of the fatty acids [IV. 367-69]. The re-written specification referred to "neutral products and salts" [IV. 359-61] and claims 6, 9 and 10 as re-written referred to "a salt or neutralized product" [IV. 365-67]. In the Patent Office action dated May 22, 1923, the Examiner stated:— "It is not seen what is meant by 'neutral products' and 'neutralized products'" [IV. 373] but there was no objection to the inclusion of salts. On no basis can such a rejection be taken to indicate any requirement that a salt be excluded from the patent. Quite the contrary is manifest. The Examiner was at a loss to understand what constituted a neutralized product as distinguished from a salt. That was the sole basis of the objection. In reply to the objection, by the amendment filed June 26, 1923 the words "salts and esters" [IV. 381, lines 12-13] were substituted for the words "neutralized products and salts" at line 30 of page 3 of the previous amendment, and the words "neutralized products" preceding the word "salts" were canceled from line 3, page 4 of the preceding amendment. The term "modified fatty acid as herein defined" was substituted in certain of the claims. The effect of these corrections was merely to overcome the Examiner's objection that the reference to neutralized products in opposition to salts was not intelligible, which objection was not surprising in view of the fact that a salt is a neutralized product. There was never any objection by the Examiner to the inclusion in the patent of the product in the form of a salt

and no claim to the use of a product in that form was ever canceled because of any such rejection. Under such circumstances the master and court below were obviously correct in finding that no element of estoppel can be found in the file-wrapper having the effect of excluding salts such as Hydrate 488 from the issued claims. As found by the master:— “No elements of estoppel can be found” [I. 152-53] for the reason that, as stated by the court, “although the inventor eliminated the words ‘neutralized product’ from said patent, this evidently was done solely to avoid a duplication of terms since he retained the synonymous expression ‘ester or salt’ ”; [I. 175].*

The Court will find that every contention appearing in appellants’ brief upon which they base their denial that the use of Hydrate 488 is an infringement of the patent claims in suit is disposed of fully by the specific findings entered by the master and court below. The record shows in each instance that these findings are clearly correct. This is a bald case of outright infringement. The chemical used by the defendants is exactly the material specifically mentioned in the patent in suit (2/18-22) and there stated to be “the most practical and satisfactory treating agents” that Barnickel had found.

*Appellants’ brief (pp. 58-59) refers to the cancellation of original claim 6. This does not form the basis of any estoppel as this claim was cancelled in view of the Patent Office examiner’s objection as to form, not substance [IV. 373-75]. Claims 9 and 10, included with this rejection of claim 6 because of indefiniteness, were restated to avoid this objection and appear as claims 7 and 8 of the patent.

APPELLANTS' MISCONCEPTION OF THE
MEANING OF THE SUPREME COURT'S
DECISIONS IN THE CARBICE AND
BARBER CASES.

The decisions of the Supreme Court in *Carbice Corp. v. American Patents Development Corp.*, 283 U. S. 27, 75 L. ed. 819, and *Leitch Mfg. Co., Inc. v. The Barber Co., Inc.*, 302 U. S. 458, 82 L. ed. 371, have no application to the instant case. These cases were considered by the court below, following the decision of the court on the merits, at a hearing upon the objections to the decree filed by defendants and a petition of defendants to reopen the case for further argument. As found by the court:—

“* * * under the record presented herein this cause is not governed by any of the cases cited,”
[I. 195].

These cases do not support the contention which the defendants attempt to base upon them (Brief, pp. 65-79). They go no further than ruling that a patent owner may not recover for contributory infringement if the patent owner is unlawfully using his patent to restrain trade in an unpatented staple article of commerce. They do not hold (as urged by defendants) that the sale of a common article of commerce for use in an infringing process is not contributory infringement. They have no application when the patent owner is making no illegal use of the patented invention. The court below has properly found that these cases do not apply here. There is no evidence in the record whatsoever to show that the patent in suit has been employed by plaintiffs in the illegal manner condemned in the two cases cited and in fact plaintiffs do not do so.

In the *Carbice* case the Court stated that the owner of a combination or process patent may not exact as a condition for a license to use his invention that the unpatented materials employed therein shall be purchased only from the patent owner and that if such a condition is exacted relief will be denied the patent owner against one who supplies such unpatented materials. The case made no change in the established law of contributory infringement. The Court expressly left that law undisturbed, saying:—

“The case at bar is wholly unlike *Leeds & C. Co. v. Victor Talking Machine Co.*, 213 U. S. 325, 333, 53 L. Ed. 816, 819, 29 Sup. Ct. 503, on which plaintiffs rely. That was an ordinary case of contributory infringement.”*

Relief was denied not because the defendant was not guilty of contributory infringement but expressly because it was shown that the patent owner was denying the use of the patented invention to others except upon condition that the unpatented materials employed with the invention be purchased from the patent owner.—

“Relief is denied because the Dry-Ice Corporation is attempting, without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention.”

*The case at bar, as to defendants Research Products Co., Ltd., and Abraham M. Herbsman, is an ordinary case of contributory infringement. It is well settled that the unauthorized sale of materials for the purpose of using them in practicing a patented process is contributory infringement. (48 *Corpus Juris*, 323; *Solva Waterproof Glue Co v. Perkins Glue Co.*, 251 F. 64 (C.C.A. 7).)

The existence of the latter factual situation is essential for the application of this rule.*

In the *Barber* case the Court reiterated the rule that had been established in the *Carbice* case and applied that rule to a patent owner which adopted a method of doing business which was the equivalent of granting a written license upon condition that the patented invention might be practised only when the unpatented material employed therewith was purchased from the patent owner. The Court held that the fact that the Barber Company had not entered into any contract or agreement requiring the user of the patented invention to purchase the unpatented materials from it was a distinction without legal significance in view of the method by which the Barber Company conducted its business. The Court noted that the Barber Company did not itself engage in road-building and did not grant licenses to others upon a reasonable royalty basis. The *Barber* case adds nothing to the rule established in the *Carbice* case but merely applies that rule to another and equivalent method of accomplishing the same illegal result. In both cases the application of the rule is dependent upon the unauthorized illegal use of the patent to restrain trade in the unpatented materials, "the nature of the device by which the owner of the patent seeks to effect such unauthorized extension of the monopoly" being immaterial.

*This is the view taken of the *Carbice* and *Barber* cases by Judge Wilkerson in *American Lecithin Co. v. Warfield Co.* In his opinion on the merits in that case (23 Fed. Supp. 326), he held that the same unlawful use of a patent is as much a bar to a suit for direct infringement as it is to a suit for contributory infringement. In his supplemental opinion on the entry of the decree (38 USPQ 34), he held that the bar does not exist when and if the patent owner discontinues the illegal use of the patent.

In the case at bar there is no showing that the plaintiffs employ any method of doing business which comes within the condemnation of the *Carbice* and *Barber* decisions and they do not do so. By reference to Mr. Justice Brandeis' decision in the *Carbice* case it will be found that the requirements imposed by the Supreme Court in that case will be met if the patent owner offers the use of his invention to the public upon a reasonable royalty basis and unconditioned as to purchasing the unpatented materials used in the invention from the patent owner. This is made apparent by reference to the rule in England, which Mr. Justice Brandeis cites as evidencing the same law as the Court finds exists here. To show the English law Mr. Justice Brandeis referred to the Patents & Designs Act of 1907, 7 Edw. VII, chap. 29, Sec. 38, as amended by (1919) 9 & 10 Geo. V, chap. 80, Sec. 20, Sched. 38. This act reads as follows:—

“38. (1) It shall not be lawful in any contract made after the passing of this Act in relation to the sale or lease of, or license to use or work, any article or process protected by a patent to insert a condition the effect of which will be—

* * * * *

“(b) to require the purchaser, lessee, or licensee to acquire from the seller, lessor, licensor, or his nominees, any article or class of articles not protected by the patent;

and any such condition shall be null and void; as being in restraint of trade and contrary to public policy:

“Provided that this subsection shall not apply if—

“(i) the seller, lessor, or licensor proves that at the time the contract was entered into the purchaser, lessee, or licensee had the option of purchasing the article or obtaining a lease or license on reasonable terms, without such conditions as aforesaid; and

“(ii) the contract entitles the purchaser, lessee, or licensee to relieve himself of his liability to observe any such condition on giving the other party three months’ notice in writing and on payment in compensation for such relief in the case of a purchase of such sum, or in the case of a lease or license of such rent or royalty for the residue of the terms of the contract, as may be fixed by an arbitrator appointed by the Board of Trade.”

In other words the owner of a patented invention is not within the rule of the *Carbice* and *Barber* cases if he offers to license the unconditioned use of his unpatented invention on reasonable terms. As said by Mr. Justice Brandeis in the *Carbice* case:— “It may charge a royalty or license fee.” If the patent owner does so he is then obviously not employing the patent to secure a monopoly of the unpatented material because he is permitting the use of his invention with the unpatented material purchased in the open market. It has never been held that it is unlawful for a patent owner to extend the right to employ his patented invention with the sale of material for use therein, provided he gives the public the option of securing the material elsewhere and paying a reasonable royalty. If the Barber Company had offered this option then manifestly relief would have been accorded the Barber Company against the defendant who was a contributory infringer.

There is nothing in the record in this case as to whether or not plaintiffs offer to grant unrestricted licenses on a reasonable royalty basis for the use of the invention of the patent in suit. If the opportunity had been afforded

to plaintiffs the affirmative would have been shown. Plaintiffs have extended and do extend a published written offer to the public whereby any member of the public may secure an unrestricted license to use the patented invention on a reasonable royalty basis. This is precisely the option contemplated by the English Statute. The fact that plaintiffs extend this option was not established in the evidence in this case because at the trial no contention was made that plaintiffs are guilty of any illegal use of the patent in suit. Such a defense had been pleaded in the answer but the defense was abandoned at the trial by defendants. (This is conceded in appellants' brief, pp. 65-66.) The matter was not raised before the master and no exception was taken to the master's report on this subject.* We do not understand how defendants, after expressly abandoning the alleged defense at trial, can now inject the defense into this case. Certainly it was within the discretion of the trial court to deny defendants' petition to reopen. In any event the record does not support the defense. In view of the situation we feel justified in advising this Court that if the defense had not been abandoned before the master and evidence had been taken thereon, plaintiffs would have shown that their use of the patent in suit is entirely justified and in full accord with the rulings of the Supreme Court in the cases above mentioned. Certainly in view of the situation here the District Court was entirely correct in holding that:— "Under the record presented herein this cause is not governed by any of the cases cited" [I. 195].

*The review of cases determined by a master's report is limited in this Court to the issues raised by the exceptions taken to the master's report. (*Riverside Heights Orange Growers Ass'n v. Stebler*, 240 F. 703.)

CONCLUSION.

Every contention made by appellants on this appeal is met by the findings of the master and court below. These findings are fully supported by the record in each instance. There is no support for the defendants' attack upon the validity of the patent in suit. Infringement is clear. The effect of the decree in this case is to protect the widespread business which plaintiffs have established under the patent in suit for the brief remainder of the life of the patent. The Court should have no hesitation in doing this. The patented invention is one of unusual merit and has been of great benefit to the oil industry. The case presents every reason for adhering to the constitutional policy of rewarding a meritorious patented invention by securing the exclusive use of that invention for the term of the patent. We feel that on the facts and the law the decree below was clearly right.

Respectfully submitted,

LEONARD S. LYON,
Los Angeles, Calif.,

FRANK E. BARROWS,
New York, N. Y.,

PAUL BAKEWELL,
St. Louis, Mo.,

Attorneys for Appellees.

In the United States
Circuit Court of Appeals
For the Ninth Circuit. 3

RESEARCH PRODUCTS CO., LTD., a corporation, CALIFORNIA PRODUCTION Co., a corporation, HENRY BRANHAM, ARTHUR J. DIETRICK and ABRAHAM M. HERBSMAN,
Appellants and Defendants,

vs.

THE TRETOLITE COMPANY, a corporation, and TRETOLITE COMPANY OF CALIFORNIA, LTD., a corporation,
Appellees and Plaintiffs.

APPELLANTS' REPLY BRIEF.

ARTHUR C. BROWN,
FRANK L. A. GRAHAM,
811 West Seventh St. Bldg., Los Angeles, Cal.,
Attorneys for Appellants.

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No. 9058.

In the United States
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vs.

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Appellees and Plaintiffs.

APPELLANTS' REPLY BRIEF.

For the sake of brevity, repeated statements of the same character in appellees' brief will be grouped together for answering under appropriate headings. The limitations of length of reply, however, will not permit an answer to all the points raised by appellee.

Weight of Master's Findings.

In appellees' brief, page 3, it is stated:

"Appellants badly misconceive the burden faced by them on this appeal."

Appellants fully recognize the character of the burden placed upon them but rest in the assurance that this Honorable Court has repeatedly and properly stated the scope and character of review of Master's findings as in the case of *Mills Alloys v. Stoodly Co.*, 94 Fed. (2d) 413.

We call the Court's attention to the order appointing the Master [R. p. 127] and particularly that portion reading:

"The report of said Special Master to be subject to full review as to all Findings of Fact and Conclusions of Law by the Court on exceptions duly filed."

General Statement.

Appellees in the second paragraph on page 3, of their brief, deny the truth of a statement in our opening brief, page 6, quoting, however, simply a part of that statement. The statement as it appears in our opening brief reads that—

“Although the record is encumbered with extensive analyses and with abstruse theories, *facts developed at the trial* permit determination of most of the technical questions involved by application of laws of merely elementary chemistry or by simple reasoning.” (Italics ours.)

The Master recognized this during the hearing of the case. [R. pp. 820-821.]

Commercial Success Relied on by Plaintiffs.

Plaintiffs would have this Honorable Court adopt a generous attitude toward the patent in suit by reason of the commercial success asserted by the owners of the patent.

Although “Tret-O-Lite,” plaintiffs’ product, has been used in the oil industry, it is clear from the record that extensive sales must be credited to sales methods and to plaintiffs’ intimidation of oil producers by threats of patent litigation rather than to merit of plaintiffs’ product. [R. pp. 105-126.]

With regard to the patent in suit, the modified fatty acid, plaintiffs allege that Barnickel solved an old and long standing problem which others had come to conclude could not be solved. Plaintiffs used this same argument with respect to their prior water-softener patent, now expired and found not infringed by defendants.

Plaintiffs’ witness, Paul Paine, testified that he learned of the process of electrical dehydration for treating crude oil emulsions in 1911 or 1912. [R. p. 201.]

The president of the Petroleum Rectifying Company, the stock of which as well as that of the plaintiffs, Tret-O-Lite Company is held by the Petrolite Company, testi-

fied at the trial [R. pp. 857-58] that his company "had and has a great number of electric plants for the treatment of petroleum emulsions" and that as late as 1928 electrical dehydration was being used on 98% of all California oil requiring dehydration, and had been employed for treating over thirty-two million barrels of oil in the Mid-Continent field. Appellees in their brief, page 5, admit the present continued use of electrical dehydration:

"High voltage electric currents have been and are used with success on some oils, particularly of the kind produced in California."

The disclosures of the prior art demonstrate that the problem of separating emulsions had been solved before Barnickel's application for the modified fatty acid patent in suit.

In the case of *Republic Rubber v. G. T. Tire Co.*, 212 Fed. 170-172, the C. C. A. 7th Circuit, stated:

"Utility of a device and commercial success in exploiting it can not be used to resolve the doubt as well as to create it, else every useful and successful thing would be patentable."

See also the case of *McClain v. Ortmayer*, 140 U. S. 419, 35 L. Ed. 800, 803-4.

Chemical Aspects of Patent. (Appellees' Brief pp. 7, 9-13, 16, 17.)

Whether or not it is true, as stated by appellees on page 7 of their brief, that—

"defendants' chemical has water softening qualities," is immaterial. It was found that it did not have the property of being "capable of precipitating the alkaline earths present in the emulsion," as called for in the claims of the water softener patent involved.

The process of the patent in suit will not break *all* emulsions and although plaintiffs claim that Barnickel's improvement in the art over his prior water softener patent lies in being able to use smaller amounts for treatment, the fact remains that in his first patent, the sulfate patent

(long expired), is shown the same minimum proportion [Defts. Ex. W, Book of Exhibits, p. 436] as in his modified fatty acid patent.

In their reference to the parent material as “fatty *material*” instead of a fatty acid, as specified by the patent, appellees assume an unallowable breadth for the parent material and attempt thereby to include the parent glyceride of defendants’ agent, which, though a fatty material, *is not a fatty acid*.

In accord with his award in the interference proceedings of an acid substance—a sulfo fatty acid, Barnickel was required to limit his claims accordingly and was forced to exclude neutralized products therefrom. (App. Op. Br. pp. 56-61.) The scope of the coined term “modified fatty acid” in the claims cannot go beyond the acid stage.

Patent Invalid for Indefiniteness.

After appellees had given up trying to identify *their* agent by technical definition, they adopted the simple term, “Turkey red oil” which was commonly used in the industry and known to Barnickel long before he drew the specification for his modified fatty acid patent, and could have been used when he filed his application if he wanted to do so. Appellees thereby admit it was unnecessary for Barnickel to write his own dictionary. He had a well known term at hand for his use.

Barnickel never used the term “sulfuric acid” in his specification. His reference to “modified fatty acid” is shown by the Master as covering a much larger scope in his ruling that “It includes a large class of the products between fatty acids and *reagents*.” [R. p. 141.] (Italics ours.)

At the trial the terms “modified fatty acid” and “addition” and “substitution” products were used by appellees in accord with the definitions given by them in their answers to interrogatories and their testimony at the trial in lieu of that of the patent.

Plaintiffs and defendants differ in their understanding of the technical term “substitution product” used in the

patent. Plaintiffs contend that when a soap is formed by substituting the hydrogen of the carboxyl group of a fatty acid (*i.e.*, neutralization of a fatty acid) the product is not a substitution product. [R. p. 1071.] Defendants maintain that such product is a substitution product. [R. p. 647.]

If appellees actually believe that the case could be considered solely on the basis of the technical terms appearing in the patent, why would they first elect to identify their reagent by even more technical terms than found in the patent, and then revert to the simple term Turkey red oil available to Barnickel and also available to them at the start of the case?

Appellees (Appellees' Br. p. 25) make reference to the book by Wright and infer that sulfurized fatty acids are made by the action of sulphuric acid. This reference only shows such reagent as Turkey red oil and does not mean that sulfurized fatty acids are made by the action of sulfuric acid (App. Op. Br. p. 18). With all their available experts, plaintiffs could not produce a citation to a *preparation* which would show that sulfurized fatty acids *were made* by reaction with sulfuric acid.

Appellees say (Appellees' Br. p. 26) that chlorosulphonic acid may be called chlorosulfuric acid and infer thereby that chlorosulphonic acid and sulfuric acid are the same. This is not so. It is noted in plaintiff's Lewkowitsch reference (Exhibit 13) that a mixture of compounds is obtained with the use of sulfuric acid, whereas only the fatty acid, ricinoleo-sulphuric acid, in its pure state, is obtained by the use of chlorosulphonic acid.

The fact that many specifically different substitution and addition products can be made from fatty acid is detrimental to the patent unless it is shown that all different substitution and addition products will serve the purpose of the patented process. This was not done. When defendants showed that a number of derivatives of fatty acids or substitution and addition products would not treat the oil upon which plaintiffs had made their own tests,

involved in this suit, the burden of proof shifted to the plaintiffs.

Appellants were unable to find any reference in the Master's report to the twenty-three "modified fatty acids" to consist of 10 of unknown composition and 13 as being outside of the scope of the patent, as stated by the trial court. Plaintiffs have taken pains to attempt to explain this situation (Br. p. 24) but overlook the evidence to the contrary by their own expert. [R. pp. 1073-74; App. Op. Br. p. 13.]

It is herewith submitted that the evidence [R. pp. 768, 782] does not substantiate the finding of the trial court. The testimony of defendants' witness, J. B. Ruth (the representative of the Baker Castor Oil Co.), identified the ten products referred to, which were sent direct to Gooch Laboratories [Book of Exhibits, p. 431], by their labels *as castor oil* derivatives [R. pp. 778-782]. These were received in evidence under their designations. They were available for any test which plaintiff would care to make toward supporting their contention. That the Baker Company began marketing these materials since 1933 [R. p. 781], does not preclude the fact that such material could be produced prior to 1933 [Defs. Ex. T, Book of Exhibits, p. 429]. Appellees' statement (Br. p. 23) that "No reference to them can be found in any text book relating to oils and fats," is without foundation. No evidence was introduced in this respect.

Plaintiffs' argument that acetic acid is not a fatty acid repudiates their own authority. [Lewkowitsch, App. Op. Br. pp. 15-16; R. pp. 700-835.]

Plaintiffs cannot deny that the Examiner [Defs. Ex. B, Book of Exhibits, p. 373] gave acetic acid as an example of a *fatty acid*, when he pointed out calcium *acetate* as a salt of a fatty acid in his ruling on Ketones, and that this was so considered by Barnickel when he conformed to the Examiner's ruling by canceling "Ketones." [Defs. Ex. B, Book of Exhibits, p. 381.]

Abandonment Mt. Vernon and Tanaha.

Appellees say that Barnickel at Mt. Vernon in 1914 conducted some experimental tests using a chemical product by reacting red oil with sulfuric acid, but that no attempt was then made to place such treating agent in commercial use because of the decided objection on the part of pipe line operators to the use of any chemical made with sulfuric acid. Barnickel, however, used caustic soda for making neutralized compounds in 1914 and prior thereto (See App. Op. Br. p. 23), therefore caustic soda was available for his neutralization of the red oil-sulfuric acid compound. It was not necessary for Barnickel to conduct experimental tests at Tanaha. These experimental tests had already been made in the laboratory in St. Louis and in Louisiana, and the objection of pipe line operators had been known for several years.

With respect to Barnickel's reduction to practice at Tanaha, it is evident (App. Op. Br. p. 24) that in the red oil used some sulfonation occurred in the preliminary processing of the grease and tallow and that additional sulfonation took place with the final addition of the 2% of concentrated sulfuric acid. Plaintiffs' witness, Harry W. Hamilton, testified [R. p. 1003]:

“Q. What gave it the reddish color?”

A. Principally I think the acid had something to do with discoloring it, the strong acid.”

Plaintiffs' expert, Dr. Morse, quoted the following from the book by Heermann [R. p. 1065]:

“Widely different substances are sold under the names of ‘Turkey red oil’ or ‘red oil’.”

The red oil used by Barnickel at Tanaha was red oil treated with sulfuric acid, in other words a Turkey red oil under plaintiffs' own definition.

There is nothing in the record to support plaintiffs' statement that in the manufacture of this red oil there was no sulfonation of the oil by sulfuric acid.

John Croft, a witness called by plaintiffs, testified [R. pp. 1155-1161] that Barnickel treated the Mt. Vernon

oil with a red liquid, which he took directly from the barrels that were shipped to him and that he pumped this red liquid gradually into the oil, while the oil was being circulated from one tank to the other. Appellees state (Br. p. 8):

“The (modified fatty acid) product was in liquid form,”

and that the water softeners were solids.

Barnickel stated that he used sodium oleate in regular operation of the plant at Tanaha, but he did not say that was the only agent he used. He also stated that before the plant was in regular operation he treated several barrels of oil with sulfo fatty acid in the proportion of 1/10 of 1% relative to the oil being treated [R. p. 906]. The evidence shows that even if only a few barrels of oil was treated with a sulfo fatty acid, this oil was sold.

Barnickel's amended preliminary statement alone is sufficient to show sales and commercial use of the modified fatty acid agent. Neither Barnickel nor Lehmann testified that the sale of the chemical was not begun until the early part of 1919. They only stated that it was not sold *in large quantities*.

While the Examiner may have implied that Barnickel did not adopt sulfo fatty acid in actual practice until after he learned of Don's successful tests in Oklahoma, he did not actually so find [R. p. 943].

With reference to Barnickel's prior public use (App. Op. Br. p. 20), plaintiffs argue that Barnickel's wording “since then” with regard to the date of October, 1914, for his reduction to practice and manufacture and sale of large quantities of chemical treating agent, does not mean ever since then.

It is apparent that if Barnickel or his attorneys had wished to convey the thought that “since then” was not to be taken as meaning “ever since then” they certainly would not have worded their phraseology as to leave doubt about the matter. In fact, Mr. Bakewell, attorney for

Barnickel in the interferences and attorney in this case, when called as defendant's witness, testified [R. pp. 860, 863]:

“By Mr. Brown: Mr. Bakewell, did you ever make this statement or declaration: *as to Barnickel's commercial reduction to practice, he shows that this was first done by him on a commercial scale at Tanaha, Okla., where he installed a plant for treating B. S. for the Mt. Vernon Oil Co. in February, 1914 [B. R. 61, 62, and contract with Mt. Vernon Oil Co. introduced at B. R. 63 and reproduced at B. R. 256]; and Barnickel shows [B. R. 63-64] that ever since October, 1914, he has continued to practice the invention the subject-matter of the issues in this interference on a commercial scale?*” (Italics ours.)

Mr. Bakewell, after identifying the brief shown him, admitted that he wrote the brief, which contained the above statement [R. p. 863].

Bakewell made the statement while the matter was fresh in his mind. No motion was made by plaintiffs to strike same from the record.

For acceptance of “memorandums” in interference proceedings see *Gasoline Products Co. v. Champlain Ref. Co.*, 86 Fed. (2d) 552, 558, 559.

The Texas Company.

Barnickel testified in the interference [Defs. Ex. C, p. 11] that at the plant at Cushing in 1915 he used various formulas, including oleic acid. He did not say that he used Gold Dust alone. He also stated [R. p. 892] that in the winter of 1914 (which might and possibly would include 1915) he made a trip to Oklahoma to put in a plant for treating oil with sodium oleate, and while there treated a number of barrels with oleic acid alone, sulfo oleic acid, and a mixture of phenol, sulfuric acid and oleic acid. Barnickel here was referring to the 4,000-barrel plant for the Texas Company.

Appellees (Br. p. 32) have emphasized the omission from the quotation on page 22 of appellants' brief. The omitted portion only tells that "Gold Dust" was not satisfactory, but that with his "formulae", "the formulae which I had worked out, using oleic acid" and saponifying such formulae to make soap, was better than the simple soap, "Gold Dust". Here he did not enumerate the reagents he used, hence to find out what he did use Barnickel's testimony in the interference testimony was referred to and quoted on page 21 of appellants' brief, where he mentions "oleic acid alone, sulfo oleic acid, and a mixture of phenol, sulfuric acid and oleic acid". Soaps of these compounds just mentioned, according to plaintiffs' own contention, are agents of the modified fatty acid patent (Appellees' Br. pp. 45-6). Plaintiffs differentiate such soaps from Gold Dust by referring to the latter (Appellees' Br. p. 33) as a simple water softener or simple soap and state (Appellees' Br. p. 7):

"Many crude oil emulsions were encountered which could not be broken at all with a simple water softener [II, 501, 519]. A complete breaking of any emulsion was rarely obtained [II, 511-12, 518]."

Suppression of the Invention. (Appellees' Brief pp. 34-36.)

Appellees say that there is no evidence that Barnickel commercially employed his invention in secret at any time. The use of the sulfo oleic acid compound on the twenty barrels of oil in Louisiana, his admitted use of the compound at Tanaha in 1914, and at Cushing in 1915, was a public use, whether commercial or not.

Lack of Invention.

Felt Patent. (Plaintiffs'—(Appellees') Ex. 63, IV. 201.)

At page 14 of appellees' brief is quoted a portion of an action by the Patent Office which states that the Felt patent "shows the use of a sulfo fatty acid for separating water from hydrocarbons". Appellees then state that

“Turkey red oil” is the substance mentioned in the Felt patent which the Examiner recognized as a sulfo fatty acid. The knowledge of the disclosures of the Felt patent was available to Barnickel when he applied for his patent, consequently, there was no invention in using Turkey red oil in the same art for removing water from petroleum emulsions.

On page 15 appellees’ statement that Barnickel discovered the power of Turkey red oil empirically as a result of tireless and persevering search, extending over many years, is not supported by the record. He knew of Turkey red oil for the purpose before he filed his application for the water softener patent. Nickel in 1913 suggested the use of Turkey red oil [R. p. 898] when Barnickel discussed his sulfuric acid agent with him.

British Patents to Lanza Et. Al.

Appellees in their brief, page 37, now at least admit that what is stated in the Lanza patents to be treated is called an emulsion, and that the reagent stated for this purpose is called sulfo-oleic acid (a sulfo fatty acid).

Appellants reiterate that one reading that sulfo-oleic acid would separate the constituents of an emulsion would immediately turn to sulfo-oleic acid as a means of separating a crude oil emulsion. This shows lack of invention in view of the showing of these patents.

The Rogers Patent.

Plaintiffs make no attempt to gainsay the fact that Rogers pointed out the sulfonic or sulfo-acid grouping, which plaintiffs say differentiates the fatty substances of their modified fatty acid patent from the fatty compounds of their prior water softener patent (App. Op. Br. pp. 34-35). Since the sulfo-acid grouping, which plaintiffs claim is new over their prior expired water softener patent, was disclosed by Rogers, it is submitted that under plaintiffs’ assertion of January 4, 1919, the effective date of their modified fatty acid patent, said patent is void for lack of invention (App. Op. Br. pp. 33-35).

The Russian Patent to Berkgan.

As shown in appellants' opening brief, page 37, when the Master accepted the Berkgan patent in evidence, he stated fully his reasons for doing so over plaintiffs' strenuous objections. His remarks, about a year later (Appellees' Br. p. 38), do not remove the Berkgan patent from consideration.

Appellants, in their direct quotation from the article by Schmitz (Op. Br. p. 39), show the type of naphthenic acids, proposed by Berkgan for breaking crude oil emulsions, to consist of ordinary naphthenic acid with sulfo-acid derivatives.

Defendants' expert, Dr. Born, testified [R. p. 845] that he would have included the fatty acids in crude naphthenic acids, and showed that the crude petroleum acids contain various fatty acids by his quotation from page 1076 of the book by Ellis [R. p. 840].

As shown herein under the Rogers patent and as disclosed in appellants' opening brief (pp. 37-38) the disclosure of sulfo acid derivatives renders the patent in suit invalid for lack of invention.

Applying Unpatented Chemicals to a Known Process Is Not Invention.

As stated in appellants' brief, pages 39-41, finding out which chemical material is best suited for the known process of breaking an emulsion is not invention, particularly if the chemical itself is not a new or patented material.

The plaintiffs now have available and employ, selectively, not less than 100 different compounds for treating different oils, and plaintiffs state: "It is still a fit-and-try test, * * *" [R. p. 508].

When Barnickel applied for his modified fatty acid patent he stated [Def. Ex. "B", Book of Exhibits, pp. 311-13] that in treating petroleum emulsions, the surface tension of the emulsifying agent is destroyed by the addition of various chemical agents. The article by

Sherrick (Pltffs. Ex. 52, App. Op. Br. pp. 39-40) amplifies Barnickel's statement by showing that the chemist, with his knowledge of antagonistic colloids for breaking emulsions and of the various chemicals available, relies on his skill for obtaining the type of chemical material best suited for breaking and separating a particular emulsion to be treated. It is submitted that this is not invention and that the modified fatty acid patent is void for lack of invention.

Anticipation.

The Rogers Patent.

Appellants have shown (Op. Br. pp. 33-34) that plaintiffs cannot have both dates of 1914 and 1919 as *the* "effective date" of Barnickel's modified fatty acid patent.

Plaintiffs realize that they are caught between two fires, that is, a date proper for evading the defense of abandonment and, on the other hand, a date that would remove the Rogers patent as an anticipation. The Master found, as shown in his report [R. p. 147]:

"For the purpose of this case it can be assumed that the reduction to practice was the filing of his application for patent."

Under defendants' discussion of abandonment it is shown that Barnickel's evidence refutes the testimony of Lehmann (president of the Tretolite Co.) that the alleged invention was "not publicly used until the year 1919". Barnickel's testimony was corroborated by Bakewell, called as a witness by defendants, in a manner which showed Lehmann's allegation of "not publicly used until the year 1919" as fallacious.

However, if the "effective date" be assumed as January 4, 1919 (Barnickel's filing date), then the Rogers patent, applied for January 26, 1918, is a valid reference and thereby anticipates the modified fatty acid patent under plaintiffs' Turkey red oil interpretation (App. Op. Br. pp. 33-36).

Although plaintiffs argue otherwise the fact remains that Rogers' sworn statement, filed April 25, 1918, in

connection with his application to his use of Turkey red oil (App. Op. Br. p. 36) was read into the record over objections by plaintiffs' counsel [R. p. 1090].

Furthermore, Barnickel, in his original claim 13 [Defts. Ex. "B", Book of Exhibits, p. 329; App. Op. Br. p. 35] classified sulfonic acids of mineral oil and their salts as derivatives of the fatty acids. These agents are specifically shown in the Rogers patent for separating crude oil emulsions.

Thus, according to plaintiffs' own contention and the Master's ruling as to the date of reduction to practice, the Rogers patent forms a complete anticipation of the modified fatty acid patent.

The Russian Patent to Berkgan.

Having taken the position that Turkey red oil is the agent of their patent (Appellees' Br. pp. 14-15) and relying on equivalence in results rather than chemical structure for finding infringement [R. pp. 1128-1130], plaintiffs cannot escape the finding of anticipation on the same premise.

Plaintiffs' expert, Dr. Morse, quoted the following from the book by Heermann, entitled "Dyers Materials" [R. p. 1065]:

"Widely different substances are sold under the names of 'Turkey red oil' or red oil."

Appellants (Op. Br. p. 38) show the naphthenic acids of the Berkgan patent to be Turkey red oil in their reference to Defendants' Exhibit "BB" [Book of Exhibits, pp. 511-517], which comprises the statement by Lewkowitsch and the supporting reference thereto, the British patent to Petroff, No. 19,759, of October 29, 1913.

At the close of the hearing before the Master defendants were given permission to file a copy of the Petroff patent supporting the Lewkowitsch statement. This British patent was later filed [R. p. 1142] and included in the record on appeal under Defendants' Exhibit "BB" as stipulated [R. p. 1248]. Appellees (Br. pp. 39-40) now object to said Petroff patent in evidence.

Appellees (Br. p. 40) admit to the use of Petroff's reagent as a Turkey red oil and describe same in Petroff's words as "similar to soap manufactured from castor oil which has been treated with sulfuric acid (Turkey red oil), * * *." They thus concur with Lewkowitsch.

As described herein under "Lack of Invention," the crude naphthenic acids, proposed by Berkgan [Defts. Ex. W-11, Book of Exhibits, p. 459], consist of ordinary naphthenic acid with sulfo acid derivatives, and are shown by defendants' expert, Dr. Born, to include fatty acids [R. pp. 840-845]. Plaintiffs, therefore, in their argument that naphthenic acids (proper) are not capable of sulfonation, must concede that the sulfo-acid derivatives in the naphthenic acids, obtained directly after the refining with sulfuric acid (Defts. Ex. W-18, pp. 14-15 of translation), are sulfo-acid derivatives of fatty acids.

The Berkgan patent (Defts. Ex. W-11) is therefore, according to plaintiffs' own theory and argument, a complete anticipation of the patent in suit.

Double Patenting.

In our showing of double patening (Op. Br. pp. 41-46) we did not confine ourselves to sodium oleate specified in the water softener patent, as alleged by appellees (Br. p. 46). In fact, nowhere under double patenting in appellants' opening brief is "sodium oleate" mentioned.

Appellants have shown (Op. Br. pp. 44-46) that with plaintiffs contending the modified fatty acid patent includes neutralized products, salts or soaps, then plaintiffs must concede that "soluble soaps" in the water softener patent embraces the soluble soaps which they claim for their modified fatty acid, to-wit, Turkey red oil, monopole soap and iso soap, etc. (App. Op. Br. p. 45). Appellants also showed (Op. Br. p. 44) that Barnickel's testimony in the interference proceedings, with regard to a sulfo-fatty salt or soap of his water softener patent, was his admission against interest and thereby invalidates the modified fatty acid patent by reason of double patenting.

Furthermore, appellants (Op. Br. pp. 41-43) disclosed that the patent proper, *i. e.*, without the interpretation of the claims, including neutralized products, salts, etc., is invalid for double patenting by Barnickel's admission to sulfo-oleic acid as one of the agents of his prior water softener patent.

The addition to our citation (App. Op. Br. p. 43) from *Miller v. Eagle Mfg. Co.*, 151 U. S. 186, 38 L. Ed. 121, 128, quoted in appellees' brief, page 46, shows that plaintiffs' contention cannot apply.

Appellants have shown in their defense of double patenting (Op. Br. pp. 41-46) that the matter described in the modified fatty acid patent is *not* essentially distinct and separable from the invention covered in the water softener patent and that the patentee of both patents so admitted.

The modified fatty acid patent is therefore invalid by reason of double patenting.

Non-Infringement.

Herbsman's frankness in testifying to knowledge of the Tretolite patents and that he was seeking an agent with which to compete with Tretolite negatives plaintiffs' argument that his was a flagrant example of deliberate appropriation of a patented invention. One would not seek information as to what a patent covers for the purpose of infringing it—only for the purpose of avoiding it, which Herbsman did.

Appellees attempt to dismiss the fact that they refused the request and offer of defendants to have the analysts of both parties carry out their determination together or in the presence of a referee or having an outside analyst appointed by the Master [R. pp. 754-759; App. Op. Br. pp. 50-52] by asserting that defendants urged the court at the hearing to accept defendants' methods of analysis instead of those of plaintiffs and that the court refused to do so. The record, pages 754-759 and 1209-1210, shows that what really did occur in this regard was the emphatic refusal by plaintiffs to have the question of analyses conclusively determined.

The evidence shows (App. Op. Br. pp. 48-53) that defendants' analyses should prevail for the showing of non-infringement.

Appellants have shown that castor oil is a glyceride and not a fatty acid and that their sulfonated castor oil is not a sulfonated fatty acid.

The patent specifies that the agent, "modified fatty acid", in which is included a sulfo-fatty acid, be obtained by a particular process, which though extremely indefinite in its breadth, is nevertheless limited to the extent to which it refers. First of all, is the requirement of a fatty acid; secondly, the necessity of a reagent to act upon that fatty acid; thirdly, the requirement that the product produced thereby retain the fundamental characteristics of the fatty acid and include substitution or additional products thereof.

Appellants have shown that their product, Hydrate 488, in no way conforms to the requirements of the patent in suit, and therefore does not infringe.

Appellees' allegation (Br. pp. 51-52) that defendant Herbsman admitted that the term "sulfo-fatty acid" is used to identify the mixture resulting from the treatment of sulfuric acid with the glyceride castor oil is incorrect. On the contrary, Herbsman testified that no modified fatty acid or sulfo-fatty acid is formed thereby [R. pp. 677-8].

Appellees' allegation by inference (Br. p. 52) that Monson isolated sulfo-diricinoleic acid from Hydrate 488 is in contradiction to the fact that he did not know what it even looked like [App. Op. Br. p. 52; R. pp. 472, 457].

Appellees' allegation (Br. p. 51) that the evidence offered by plaintiffs alleges Hydrate 488 a sulfo fatty acid is (see App. Br. pp. 48-64, 61) refuted in the cross-examination of plaintiffs' expert, Monson, as follows [R. p. 450]:

"By Mr. Brown: Can't you answer yes or no whether or not Hydrate 488 contains sulfo fatty acids as such?

The Master: He says no. That was answered in the negative."

A Sulfonated Oil Does Not Infringe.

It will be noted that what is now claim 10 was originally claim 16 [Defts. Ex. B, Book of Exhibits, p. 337]. This does not state the use of a sulfonated oil.

Appellees (Br. p. 53) are *still unable* to show *where* in the file wrapper the Examiner made the ruling *stated by the Master* [R. p. 153] as follows:

“The file wrapper shows that claim 14 was cancelled because the Patent Office Examiner pointed out that it could be construed as covering sulfonated mineral oils.”

There is no such ruling in the file wrapper (Defts. Ex. B) and appellants are at loss to understand such unwarranted specific ruling of the Master.

Barnickel disclaimed a sulfonated oil (App. Op. Br. pp. 54-55). It makes no difference whether or not original claim 14 was rejected. It was cancelled after Barnickel had been educated through the interference proceedings to recognize that it did not define a novel patentable process.

Defendants' product, being a sulfonated oil, namely, a sulfonated castor oil, therefore cannot infringe the modified fatty acid patent No. 1,467,831.

A Neutralized Product Does Not Infringe.

Appellees, in their effort to include salts, neutralized products, neutral products, etc., within the claims of the patent for finding infringement, are lost. They first say (Appellees' Br. p. 54):

“A salt is a neutralized product. It is elementary chemical knowledge that any acid is neutralized by reaction with a base. If the base is an alcohol (*i. e.*, organic in nature) an ester is produced. If the base is inorganic in nature a salt is obtained.”

and in the next breath appellees state (Br. p. 55):

“The Examiner was at loss to understand what constituted a neutralized product as distinguished from a salt.”

Since it is elementary chemical knowledge that a salt is a neutralized product there would be no reason for the Examiner to be at a loss to understand what constituted a neutralized product as distinguished from a salt.

A sulfo fatty acid, which has been neutralized, is not a sulfo fatty acid. The patent requires a sulfo fatty acid as such. The patent specification may include reference to an ester, salt or neutralized product, but these were cancelled from the *claims* and never reinstated. The claims must be read as they are, and defendants firmly maintain that plaintiffs cannot include a neutralized product, ester or salt, because of such cancellation (App. Op. Br. pp. 55-61).

Defendants' product, being a neutralized product, therefore cannot infringe patent No. 1,467,831.

The Barber Case.

We agree that the *Carbice* and *Barber* cases go no further than ruling that a patent owner may not recover for contributory infringement, except when he is using his patent to restrain trade in an unpatented staple article of commerce. We have never taken the position, as alleged by appellees in their brief, that the sale of a common article of commerce for use in an infringing process may not be contributory infringement.

There is plenty of evidence in the present case to show that the patent in suit has been employed by the plaintiffs in the illegal manner of the *Barber* and *Carbice* cases. The filing of this suit is the best evidence that could be asked, because here the plaintiffs attempt to use the patent laws in support of their attempt to extend the monopoly.

Plaintiffs submitted considerable evidence as to how their business was conducted by *sales* of the *unpatented material* for use in practicing the process, but made no offer whatever of any evidence of granting or offering of a license. Any offer of evidence by the defendants that no license had been granted or offered would be of little value, as it would be merely negative evidence. Defendants would not know, of course, whether or not some license had been granted in territories with which they were not familiar.

Defendants never abandoned the defense. It was pleaded, evidence was offered to support the charge of illegal use of the patent, and the burden was then on the plaintiffs to show that they did use the patent legally. That the defendants did not *urge* the defense does not mean that it was abandoned, and defendants did not concede abandonment in their brief when they called the court's attention to the fact that the defense was not urged for the reasons stated. Defendants did except (No. 64) to the Master's recommendation that an injunction issue restraining the defendants from the acts found to infringe patent No. 1,467,831, and assigned error (15) to the court's denying defendants' petition to reopen the case on the decision of the *Barber* case. In any event, it was error on the part of the court not to reopen the case for reargument on a controlling decision by the Supreme Court filed after decision by the trial court, or even before decision following overruling of the exceptions to the Master's report.

It is submitted defendants should have the relief prayed for.

Respectfully submitted,

ARTHUR C. BROWN,

FRANK L. A. GRAHAM,

Attorneys for Appellants.

In the United States
Circuit Court of Appeals

For the Ninth Circuit. *f*

RESEARCH PRODUCTS CO., LTD., a corporation, CALIFORNIA PRODUCTION CO., a corporation, HENRY BRANHAM, ARTHUR J. DIETRICK and ABRAHAM M. HERBSMAN,
Appellants and Defendants,

vs.

THE TRETOLITE COMPANY, a corporation and TRETOLITE COMPANY OF CALIFORNIA, LTD., a corporation,
Appellees and Plaintiffs.

APPELLANTS' BRIEF ON JURISDICTIONAL
QUESTION.

ARTHUR C. BROWN,
FRANK L. A. GRAHAM,
811 West Seventh St. Bldg., Los Angeles,
Attorneys for Appellants-Defendants.

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No. 9058.

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

RESEARCH PRODUCTS Co., LTD., a corporation, CALIFORNIA PRODUCTION Co., a corporation, HENRY BRANHAM, ARTHUR J. DIETRICK and ABRAHAM M. HERBSMAN,
Appellants and Defendants,

vs.

THE TRETOLITE COMPANY, a corporation and TRETOLITE COMPANY OF CALIFORNIA, LTD., a corporation,
Appellees and Plaintiffs.

APPELLANTS' BRIEF ON JURISDICTIONAL QUESTION.

During the argument of this appeal before this Honorable Court it appeared that during the argument on exceptions to the Master's report before the Honorable Harry A. Hollzer, United States District Judge, Dr. Beckman, of the faculty of the California Institute of Technology, sat on the bench with the District Judge during such argument. It does not appear to what extent Dr. Beckman participated in the deliberations by the District Judge or whether Dr. Beckman submitted any report, either oral or written, to the District Judge concerning the case or the matters discussed by respective counsel at such hearing.

In view of the above the point has been raised by this Honorable Court as to whether or not the litigants by the trial judge's selection and appointment of an expert to sit with him at the argument on exceptions to the Master's report, thereby submitted the case to arbitration and are now estopped from questioning the decision rendered by the trial court and, consequently, that this Honorable Court does not have jurisdiction to hear the present appeal. This on either of two theories:

- (1) By analogy to waiver of a jury in a law case;
- (2) That the proceeding at the hearing was an arbitration.

First Theory.

The statute, U. S. C. A., Title 28, Section 773, provides for waiver of a jury and submission of a case to the court, but only under the definite conditions that the stipulation be in writing or made orally in open court. This not being a jury case, but, on the contrary, an equity case, the statute would not apply. In the case of *St. Paul Mercury Indemnity Co. of St. Paul v. Long* (C. C. A. 3), 85 Fed. (2d) 848, the Court of Appeals held that when in a jury case the case was heard before the court without stipulation, written or oral, the hearings before the District Court are in the nature of a submission to an arbitrator and the court's determination of the issues of fact cannot be reviewed on appeal. There, however, even in the jury case under the special circumstances of that case, the trial judge warned the parties that a written stipulation should be filed, but the warning was disregarded. Even there the Court of Appeals was evidently in doubt, because it went on to hear the appeal and entered an opinion on the merits of the case. The instant case

is a suit in equity, arising under the patent laws of the United States, the court's jurisdiction being directly under the statute providing for the original jurisdiction of such cases in the District Court of the United States. This is not a jury case.

During the argument on appeal, this Honorable Court called to our attention the case of *Guiles v. United States of America*, Case No. 8810. In that case the court stated:

“The case was tried without a jury, although no stipulation was filed or made or entered in the minutes of the court, waiving a jury trial.”

The court also said:

“The case having been tried without a jury and without waiving a trial by jury in the manner provided by statute, the only questions which this court has power to review are those concerning the process, pleadings and judgment.”

That case also was a case in which the jury was not waived in accordance with the terms of the statute.

There is no analogy between such cases and the instant case because in the “jury” cases the statute particularly prescribes the only procedure under which the Judge can act in his judicial capacity both as judge and jury. Failure to waive the jury, as provided by the statute, resulted in such proceedings lacking the *requisites* of a *judicial* proceeding. The instant case being an equity case the Judge passes on questions both of law and fact. There is nothing that either party or the Judge can do that can *add* to these functions or the manner of performing them.

Second Theory.

This theory is that, by his action in appointing an expert to sit with him during the argument on exceptions to the Master's report, the District Judge constituted himself, the expert, or the two of them together, an arbitrator whose decision was final and not subject to review by the Court of Appeals.

This could not be a case for arbitration under the United States Arbitration Act of February 12, 1925 (U. S. C. A., Title 9, Secs. 1-15), because that act relates only to maritime transactions and contracts involving interstate commerce, and no such transaction or contract is here involved.

See:

In re Cold Metal Process Co., 9 Fed. Supp. 992, 993, and

Zip Mfg. Co. v. Pep Mfg. Co., 44 Fed. (2d) 184, 186.

This leaves only the question as to whether or not the statements of counsel and of the District Judge at the hearing can constitute an agreement for arbitration or an act of the court constituting him, the expert, or the two of them, an arbitrator, whose decision is not subject to review.

In *Gordon et al. v. United States*, 7 Wall. 188, 19 L. Ed. 35, 37, The Supreme Court said:

“An arbitrator is defined, Bouv. Law Dic., Tit. Arbitrator, as ‘a private extraordinary judge chosen by the parties who have a matter in dispute, invested with power to decide the same.’ The Secretary of War acted ministerially. The resolution conferred no judicial power upon him. (*De Groot v. U. S.*,

5 Wall. 432, 18 L. ed. 702.) In order to clothe a person with the authority of an arbitrator, the parties must mutually agree to be bound by the decision of the person chosen to determine the matter in controversy. The resolution under which the Secretary assumed to act did not authorize him to make a final adjustment of the matter embraced in it. It did not bind the appellant to an acceptance of the amount reported by the Secretary, or that he would cease to clamor for more, after being a fifth time paid the amount of damages awarded to and accepted by him.”

In the present case the parties did not even agree that the expert should determine any matter in controversy, much less agree that he should make any decision or award. The fact that Dr. Beckman had previously made an affidavit for plaintiffs, relating to the water softener patent [R. p. 46], one of the patents sued on, is a sufficient answer to any suggestion that defendants consented to his appointment for any other purpose than that of a technical dictionary.

In *Toledo S. S. Co. v. Zenith Transp. Co.* (C. C. A. 6), 184 Fed. 391, the following is found on page 404:

“Bouvier adopts Worcester’s definition of an arbitrator: ‘A private extraordinary judge, to whose decision matters in controversy are referred by consent of the parties.’

“Mr. Justice Grier quotes Bouvier as reading: ‘A private extraordinary judge chosen by the parties who have a matter in dispute, invested with authority to decide the same.’ *Gordon v. U. S.*, 7 Wall. 188, 194, 19 L. Ed. 35.”

“The first step toward the settlement of a controversy by arbitration is the making of a valid agreement of submission. This agreement may be in writing or may be by parol except in a few instances. It may, under varying circumstances, be governed by the common law, by statute, or by rule of court, but it must comply with the formal requisites of all agreements, otherwise it will be invalid and will not supply the foundation for a valid arbitration and award. It must be made by persons legally capable of entering into such a compact; must relate to a subject-matter properly referrible to arbitrators; must be definite and sufficient; if under a statute, it must comply strictly with the terms thereof; and, finally, must violate no law of the land.” (See *Ruling Case Law*, Vol. II, page 354.)

In this case it appears that no agreement to submit the case to arbitration was entered into by the parties, nor were the proceedings leading up to the appointment of Dr. Beckman considered by the District Judge or by either of the parties to be the submission of the case to arbitration by the District Judge, by Dr. Beckman, or to both of them.

In *American Guaranty Co. v. Caldwell* (C. C. A. 9), 72 Fed. (2d) 209, Garrecht, Circuit Judge, said (l. c. 212):

“(3, 4) All the terms of the arbitration contract have not been made a part of the record, and it is a well-known rule of law that courts generally will not construe an arbitration agreement as ousting them of their jurisdiction unless such construction is inevitable, and jurisdiction in this case having been conferred on the District Court by action of the appellant, it

will be assumed, where nothing appears to the contrary, that such jurisdiction has been rightfully retained and exercised.”

In the present case there was no arbitration contract. All that transpired with reference to the court's appointment of an advisor appears in the record.

Turning now to the record, starting with page 1209, Vol. III, the court, referring to the several chemists testifying for both plaintiffs and defendants, and the voluminous exhibits, involving technical chemical matters, first suggested the desirability of the appointment of a disinterested expert [R. p. 1210]:

“Personally, I would feel that a court is more apt to reach an intelligent and just and correct result in this case if it had the assistance of a disinterested qualified expert. First, for this purpose: To attend and observe tests made for the purpose of analyzing the product produced by the defense and making a similar observation of any analysis or test offered on behalf of the plaintiffs. Then, in the light of the readings of the patent, making his report, *subject to such cross-examination as either side may wish to make*. If that report were, in substance, a finding which would justify the court in holding that there had been no infringement, I would think that such chemist would need go no further. If, however, such report warranted a finding of infringement, then the chemist examine into the exhibits and those portions of the transcript that deal with what might be called plaintiffs' theory of the case.” (Italics ours.)

This is what defendants suggested before the Master, but was rejected by plaintiffs, in so far as appointment of a distinterested expert to report on those questions in

which the *ex parte* tests of the parties did not agree. This, however, only contemplated that the expert have the function of a witness, and certainly did not contemplate that he should assume any function of the court; certainly not that of making any decision on any issue of the case.

Counsel for plaintiffs interposed with a different suggestion as to what field the expert's assistance was to cover, but clearly indicating plaintiffs' understandings that the decision was to be with the court, and the court only.

At the bottom of page 1213 counsel for plaintiffs said:

“Of course, Your Honor, I realize the complicated character of some of the things that are discussed in this case full well and we want Your Honor to have the benefit of any suggestions or any help that a chemist could give Your Honor.”

and at the end of the paragraph, which continues on to page 1214, expressed his understanding that the function of an expert under such circumstances could not extend beyond that of advice, and certainly not extend to that of deciding any issue in the case as a substitute for the court. Counsel for plaintiffs said [top of page 1214]:

“* * * *I think the present status of our procedure in this country contemplates that the decision will be Your Honor's and not the decision of some assistant that might be appointed.*” (Italics ours.)

Counsel for plaintiffs, continuing with reference to the expert's function, referred to him as a technical man, who would understand what we were talking about and who could translate it to “Your Honor”. Later in the paragraph he designated him as a “technical advisor”, and at the top of page 1215 said:

“My idea would be, if Your Honor would select a technical advisor, let him sit with you during this argument and advise you just what the meaning is or explain the meaning of the things that we are talking about to Your Honor,” etc.

In the last paragraph on page 1217 and running into page 1218 counsel for plaintiffs continued:

“My suggestion would be that Your Honor select a chemist, which would be exactly what I would do if this case was presented to me, I would call a chemist in. *I would not leave the decision to the chemist*, but I would certainly have the chemist there to aid me in understanding exactly what the subject was about. And I think the law contemplates that the case should not be left now at this stage, after a trial before the Master and exceptions, to some test by somebody else. It should be tried on the record that we have made and *should be decided by Your Honor*, but I am perfectly conscious of the fact that, to save Your Honor time and to satisfy Your Honor that you really understand these things, which are not usual for a judge to be asked to consider, that you pick out someone that you have confidence in *as a chemist* and ask him to sit with you and aid you in explaining them to you.” (Italics ours.)

This expresses the clear and unquestionable understanding of counsel for plaintiffs that the decision of the case was not to be left to the chemist, but that his function was merely to aid in understanding the technical language of the case.

The court then said [R. pp. 1219-1220]:

“It was furthest from my mind to pass on to some chemist, or, for that matter, anybody else, the burden

or responsibility of deciding the case. I think plaintiffs' counsel has more happily expressed the thought that I really had in mind.

"It is the desirability of having technical assistance to explain some of these theories or contentions that are advanced in the respective briefs. I think it will be conceded that, in many places in these briefs discussion has dealt with some technical questions dealing with chemistry. The briefs have not been altogether confined to patent law or the limitations upon the claims incorporated in the patent that is involved here. I agree that at this stage of the case we should not have a retrial. That is not what I had in mind.

"It may be that I could call in that technical assistance after the oral argument has been concluded and if, as a result of my study of the case, I conclude that there is need for some further elucidation, why, counsel can then be apprised of that fact." (*Italics ours.*)

On pages 1220 and 1221 counsel for plaintiffs stated:

"If Your Honor had in mind the technical advisor that you would prefer and he could be available, it probably would help the situation if he could sit there with Your Honor during the discussion because, after all, this is a field, a sort of a field, where, on the one hand, we have organic chemistry, and then we have its special application to the problem of oil field emulsions. * * * Therefore, my idea is that the man who would help you the most would be a college professor of organic chemistry, in which case there would be a good deal that he would like to know as the argument proceeds, to satisfy himself of the application of that particular knowledge to this particular problem, and I am only making a suggestion.

“I think it is a splendid idea in a case like this for the court to have selected itself—*not by the parties, not ask the parties to agree to it at all*—but just a man to assist the court in understanding what the subject is about. In this particular case I have the further suggestion that, if the man could be present with Your Honor hearing the argument, I believe that it would assist him, too, in being sure of his ground and he might have some questions he wanted to ask during the course of the argument.” (Italics ours.)

Counsel for defendants, at page 1222, stated, in part:

“* * * I believe, everything considered, the court’s original suggestion that it be referred to this man who is capable of making tests and analyses if it becomes necessary, and pass on the technical phrases, is most excellent; and, speaking for defendants, I would like very much to have that handled in that way.”

Finally the court reached the following conclusion [p. 1222]:

“I can understand how the suggestion that I originally made is capable of leading us in a direction that, at least so far as I am at present advised, is not yet warranted. I did have especially in mind the desirability of technical assistance.”

and finally said [p. 1225]:

“As I indicated to counsel before the noon recess, I am appointing Dr. Beckman of the faculty of the California Institute of Technology to sit with me to hear this argument and, of course, to take such part in the discussion as will, in his judgment, help to elucidate and clarify the respective contentions and,

following the argument, to advise with me as to the technical phases of the case; *that is to say, as to the interpretation of the various chemistry terms.* I think, in brief, that covers the matter of his assignment.” (Italics ours.)

At no time during all of the discussion about appointment of an expert assistant to advise the court did counsel for either party, or the court, even intimate that the expert to be appointed should assume any judicial function or perform the duties of an arbitrator; or that the proceeding was at all in the nature of an arbitration, or that anyone except the court should make any decision or that the court should act in any capacity except judicial. The function of the expert was determined by the court to be that of merely an interpreter of chemical terms. In other words, to serve as a dictionary for the court.

The above final statement of the court is clear as to the expert's duties when the court stated:

“* * * to advise with me as to the technical phases of the case; that is to say, as to the *interpretation of the various chemistry terms.*” (Italics ours.)

Such duties of the expert would not extend to determination by him of any issue in the case, and particularly those issues which were not dependent on the interpretation of chemical terms.

In the case of *Kohn v. Eimer*, 265 Fed. 900, at page 902, the Circuit Court of Appeals for the Second Circuit stated:

“* * * Specifications are written to those skilled in the art, among whom judges are not. It therefore becomes necessary, when the terminology of the art is not comprehensible to a lay person,

that so much of it as is used in the specifications should be translated into colloquial language; in short, that the judge should understand what the specifications say. This is the only permissible use of expert testimony which we recognize. When the judge has understood the specifications, he cannot avoid the responsibility of deciding himself all questions of infringement and anticipation, and the testimony of experts upon these issues is inevitably a burdensome impertinence.

“Now the question whether the judge needs the assistance of experts to understand the specifications is for him to decide. Doubtless he ought to be chary of assuming too readily that he does understand what he may not; but, if he is too confident, his mistake eventually transpires. The important point is that it is he who must determine when he needs the help of experts and when he does not, and that decision, except in the clearest case, we should not be disposed to disturb.”

With reference to Point 3, discussed in appellants' opening brief on appeal regarding the question of estoppel, it was, on or about the 28th day of May, 1938, over a year after the argument on exceptions to the Master's report, that defendants petitioned the court to reopen the case for further argument in view of the then recently decided case of *Leitch v. Barber*, and filed their objections to the proposed decree, the decree being later filed, to-wit, July 9, 1938. Consequently, the matter of the application of the *Leitch v. Barber* case to the present case was a matter presented solely to the court long after the argument on exceptions to the Master's report and Dr. Beckman's participation in the case. The court then, on or

about the 9th day of July, 1938, entered an order overruling defendants' objections to the decree and denied the petition to reopen. By these facts it is here again emphasized that the District Judge acted solely in his capacity as a judicial officer and not as an arbitrator.

In any event, there would be no need for the expert in connection with the defense of estoppel of the plaintiffs to enforce their patent, even if infringed, under the rule of the *Leitch v. Barber* case. Plaintiffs' expert identified defendants' treating agent or compound as an unpatented article of commerce, after which the question was one of law and not of fact; certainly not of definition of chemical terms.

In considering this question it must not be lost sight of that the real issues in the case were never mentioned as anything with which the expert should have anything to do. For instance, the defense of abandonment would not involve the expert at all. Barnickel, himself, admitted that he used a sulfo-fatty acid for the Mt. Vernon Oil Company at Tanaha; for the Standard Oil Company in the Caddo oil fields of Louisiana, and for the Texas Company at their plant in Oklahoma. The question concerning the use at Tanaha would be whether or not sale of the oil, treated with a sulfo-fatty acid, for the Mt. Vernon Oil Company, constituting use of the invention there a public one, had been proven. Certainly the expert would not pass on the question of whether Barnickel's use of a sulfo-fatty acid in the Caddo oil fields at Trees, Louisiana, was or was not a public one. Barnickel admitted this [R. pp. 882, 892, 929]. When the pipe line took the oil the use became public and a sale. No chemical terms were involved. The same would be true of Barnickel's recovery of 4,000 barrels a day of oil for the Texas Company at the

Oklahoma plant, and use of the oil by the Texas Company under its boilers.

From the record and the full analysis of all that transpired between the parties and in their discussion of the appointment with the court, it is clear that no stipulation for arbitration was entered into and nothing said or suggested that could deprive this court of jurisdiction of the case. All that was ever contemplated was for the expert to give the benefit of his technical knowledge to the court for the purpose of defining terms used at the trial of the case, with which the court might not be familiar. He may have occupied the position of "friend of the court", but certainly was not present at any time, nor did he have anything to do with the case, either in a judicial capacity or in the role of an arbitrator.

As pointed out above neither party had in mind submitting the cause to arbitration; in other words, there was no agreement to arbitrate. Further, the District Judge had no authority to deprive the litigants of their right of appeal, nor did he have authority to appoint an arbitrator, nor take on such capacity himself.

In the case of *Windsor v. McVeigh*, 93 U. S. 274, 23 U. S. L. Ed. 914, the Supreme Court stated:

"* * * Though the court may possess jurisdiction of a cause, of the subject-matter and of the parties, it is still limited in its modes of procedure, and in the extent and character of its judgments. It must act judicially in all things, and cannot then transcend the power conferred by the law."

There is nothing in this case to indicate that the District Judge constituted himself an arbitrator or considered himself as acting in such capacity. He was without authority to do so without the consent of both parties.

Conclusion.

It is finally submitted that

- (1) The parties nor either of them have made any agreement to submit the case to arbitration;
- (2) Neither the District Judge, the expert nor both of them constituted an arbitrator or board of arbitration;
- (3) Neither party waived the right of appeal;
- (4) The District Judge had no authority to act beyond his capacity as a judicial officer;
- (5) The District Judge cannot by his own act deprive the parties of the right of appeal; and
- (6) That this court has jurisdiction to fully review the case.

Respectfully submitted,

ARTHUR C. BROWN,

FRANK L. A. GRAHAM,

Attorneys for Appellants-Defendants.

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

RESEARCH PRODUCTS CO., LTD., a corporation, CALIFORNIA PRODUCTION CO., a corporation, HENRY BRANHAM, ARTHUR J. DIETRICK and ABRAHAM M. HERBSMAN,

Defendants and Appellants,

vs.

THE TRETOLITE COMPANY, a corporation, and TRETOLITE COMPANY OF CALIFORNIA, LTD., a corporation,

Plaintiffs and Appellees.

SUPPLEMENTAL BRIEF FOR APPELLEES.

LEONARD S. LYON,

IRWIN L. FULLER,

811 West Seventh St. Bldg., Los Angeles,

Attorneys for Appellees.

FILED

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No. 9058.

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

RESEARCH PRODUCTS CO., LTD., a corporation, CALIFORNIA PRODUCTION CO., a corporation, HENRY BRANHAM, ARTHUR J. DIETRICK and ABRAHAM M. HERBSMAN,

Defendants and Appellants,

vs.

THE TRETOLITE COMPANY, a corporation, and TRETOLITE COMPANY OF CALIFORNIA, LTD., a corporation,

Plaintiffs and Appellees.

SUPPLEMENTAL BRIEF FOR APPELLEES.

This supplemental brief is being filed pursuant to the direction given by the Court at the oral argument of the cause. As noted in our original brief (p. 4), Dr. Beckman of the California Institute of Technology was appointed to sit with the District Judge at the oral argument on exceptions to the Master's report. This Court has suggested the possibility that as a result this Court is without power to review the findings below, and has requested the parties to present their views and such authorities as they may have relative thereto. Before discussing the authorities, or the lack of the same, we deem

it important to note exactly at what point in the progress of this case Dr. Beckman was appointed and the scope of his employment.

This cause was referred for trial to a Special Master by stipulation of the parties. The stipulation and order provided that the Special Master was to take and hear the evidence offered by the respective parties and to make his findings of fact and conclusions of law thereon and recommend the decree to be entered herein, the report of the Special Master to be subject to full review as to all findings of fact and conclusions of law by the Court, on exceptions duly filed [I. 127]. As provided in Rule 53 (5) of the New Rules of Civil Procedure, the effect of the Master's report is the same whether or not the parties have consented to the reference. The Special Master heard the evidence and filed his report, setting forth in detail his findings of fact and conclusions of law with respect to each of the issues tried before him, and recommended the entry of a decree for plaintiffs upon the patent here in issue [I. 128-154]. The defendants filed exceptions to the Master's report [I. 155-170]. In considering these exceptions the Court below (Rule 53 (e) (2)) and this Court (Rule 52 (a)) should accept the Master's findings of fact unless found to be "clearly erroneous".

At the oral argument on the exceptions to the Master's report, the District Judge, having noted the complicated chemical subject involved, of his own volition suggested that he would be more apt to reach an intelligent and just and correct result in this case if he had the assistance of a disinterested, qualified expert [III. 1210]. In response to this suggestion counsel for the defendants urged that the Court appoint an expert who should go to the extent of repeating the analytical work that had been testified to

before the Master and determine those issues for the Court [III. 1211-1213]. Plaintiffs' counsel, however, objected, reminding the Court that the present status of our judicial procedure in this country contemplates that the decision must be that of the District Judge and not the decision of some assistant who might be appointed [III. 1214]. The District Judge thereupon stated,

“I guess the fault lies in the expression of language that I used. It was furthest from my mind to pass on to some chemist, or, for that matter, anybody else, the burden or responsibility of deciding the case.” [III. 1219.]

With that assurance, plaintiffs' counsel agreed that the Court might select a technical advisor “to assist the Court in understanding what the subject is about”. [III. 1221.] Thereupon the District Judge appointed Dr. Beckman

“to sit with me to hear this argument and, of course, to take such part in the discussion as will, in his judgment, help to elucidate and clarify the respective contentions, and following the argument, to advise with me as to the technical phases of the case; that is to say, as to the interpretation of the various chemistry terms.” [III. 1225.]

It is clear from the record that Dr. Beckman was appointed solely as an advisor to aid the Court in interpreting the scientific terms appearing in the record taken before the Special Master. The same information could have been procured by the Court at a much greater sacrifice of time from standard technical works on chemistry. Dr. Beckman was not by reason of his appointment to participate in or have any part in the making of the Court's decision. There is nothing in the record or within our knowledge to suggest that Dr. Beckman did more than aid

the Court in interpreting the chemical terms involved. The District Judge filed his own memorandum of conclusions [I. 171-177] and adopted the Master's findings, supplemented by those of his own [I. 178-185].

We find no ruling of any federal court bearing on the instant situation. It seems clear that in the absence of a stipulation of the parties the District Judge would have no power to appoint a technical advisor or expert in a patent case (see Judge Clark's discussion of this matter in *Tolfree v. Wetsler*, 22 F. (2d) 214, 221). But if agreeable to the parties we see no reason why a District Judge could not do so upon stipulation. If a court will accept the stipulation of the parties as to a fact, it seems to follow that the court could accept the stipulation of the parties that he should have a technical advisor to assist in interpreting any technical evidence that the parties may offer of a fact. Such a practice seems to be approved in the State of New York. *Nichols v. Corroon*, 274 N. Y. S. 596, 242 App. Div. 787. In that case the appointment by stipulation, following judgment, of a medical expert to aid the Court in determining the extent of injuries was approved.

It is well settled that a court has a right to take judicial notice of scientific facts and calculations, and as a necessary corollary may resort to and obtain information from any source of knowledge he feels would be helpful to him, even inquiring of others if he deems them reliable. 23 *Corpus Juris* 169. In discussing this matter, the author in *Jones on Evidence*, Horwitz Edition, Vol. 1, §132 (134), says:

“It frequently happens that it is necessary or proper for the court to refer to sources of information concerning matters which have not been referred to in

the evidence, in which case it is his duty to resort to any source of information which in its nature is calculated to be trustworthy and helpful, always seeking first for that which is most appropriate; sometimes too concerning matters of law, and in either case he may use all proper means for satisfying himself in any way that appears to him satisfactory. Sometimes he personally knows more than the court should know; but when he feels that he knows less, then he is the proper conduit through which judicial knowledge, acquired by him for the purpose, shall be conveyed, in order that the court may be given understanding of it. In a New York case the opinion shows that the court had referred to various documents and to Pollard's and Greeley's histories of the Civil War. In the celebrated Dred Scott case, Chief Justice Taney evidently had resorted not only to judicial decisions, statutes, ordinances and works of history, but to whatever sources were available to throw light upon the social and political condition of the African race in the early history of the country. Dr. Wharton illustrates the principle: 'The judge may consult works on collateral sciences or arts, touching the topic on trial. He may draw, for instance, on mythology, in order to determine the meaning of similes in an ambiguous writing. He may refer to almanacs; he may appeal to his own memory for the meaning of a word in the vernacular; he may, as to the meaning of terms, refer to dictionaries of science of all classes; he may determine the meaning of the abbreviations of Christian names and offices, and of other common terms; as to a point of political history (e. g., the recognition of a foreign government); he may consult the executive department of the state; he may cause inquiry to be made as to the practice of other courts; and Lord Hardwicke went

so far as to inquire of an eminent conveyancer as to a rule of conveyancing practice. And so the court may have recourse to the legislative rolls to determine the construction of a statute.’ ”

The rule in California seems to be that stated in *People v. Mayes*, 113 Cal. 618, as follows:

“The judicial notice which courts take of matters of fact embraces those facts which are within the common knowledge of all, or are of such general notoriety as to need no evidence in their support, and also those matters which do not depend upon the weight of conflicting evidence, but are in their nature fixed and uniform, and may be determined by mere inspection, as of a public document, or by demonstration, as in the calculations of an exact science. These matters may not be within the personal knowledge of the judge who presides over the court, but, if a knowledge of them is necessary for a proper determination of the issues in the case, he is authorized to avail himself of any source of information which he may deem authentic, either by inquiring of others, or by the examination of books, or by receiving the testimony of witnesses. (*Rogers v. Cady*, 104 Cal. 290; 43 Am. St. Rep. 100.)”

The power to inquire of others is apparently not limited to the appointment of a court expert under §1871 C. C. P.

Under these circumstances we hesitate to urge that the appointment of Dr. Beckman to aid the Court in interpreting the various terms of chemistry involved in this case does more than add to the weight to be given to the findings below. We believe the rule followed by this Court in *Guiles v. United States*, 100 F. (2d) 47, and the cases there cited, can be distinguished. In those cases

the responsibility for the making of the decision was transferred from the tribunal designated by law to a tribunal not authorized by law. In this case the Court below expressly retained the full burden and responsibility of deciding the case. The situation is more like that presented where a case is erroneously heard by a special three-judge court in lieu of a single federal district judge. It has been held that the presence of the two additional judges at the hearing does not affect the decision (*Healy v. Ratta*, 67 F. (2d) 554 (C. C. A. 1)), provided the decision is in accord with the view of the single district judge who should have heard the case alone. *Cannonball Transportation Co. v. American Stages, Inc.*, 53 F. (2d) 1050 (D. C. Ohio). See *Oklahoma Gas & E. Co. v. Oklahoma Packing Co.*, 292 U. S. 386, 78 L. ed. 1318.

We do not believe that the result on this appeal would be changed irrespective of how the instant question be determined. On the one hand this Court would refuse to review the findings below; on the other it would determine whether there is any finding which appellants assert is not supported by substantial evidence. There is no such finding. Therefore, in either event, the findings will not be disturbed. There is no claim that there is any irregularity in the pleadings, process or decree. Accordingly, the decree below should be affirmed.

Respectfully submitted,

LEONARD S. LYON,

IRWIN L. FULLER,

Attorneys for Appellees.

In the United States
Circuit Court of Appeals
For the Ninth Circuit. 6

EDWARD E. BRAMLETT, CHARLES R. BRAMLETT,
GORDON F. HATCHER, E. DANA BROOKS, JULIUS
GOLDFARB, MEYER GOLDFARB, V. R. JAMES and
E. G. HEIDEN,

Appellants,

vs.

NATIONAL UNIT CORPORATION, a corporation,

Appellee.

VOLUME 1
Transcript of Record

Upon Appeal from the District Court of the United States for the
Southern District of California, Central Division.

FILED

OCT 14 1932

PAUL H. O'NEILL,
CLERK

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

EDWARD E. BRAMLETT, CHARLES R. BRAMLETT,
GORDON F. HATCHER, E. DANA BROOKS, JULIUS
GOLDFARB, MEYER GOLDFARB, V. R. JAMES and
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Names and Addresses of Attorneys.

For Appellants:

CHARLES C. MONTGOMERY, Esq.,
810 Title Guarantee Building,
Los Angeles, California.

ROBERT I. KRONICK, Esq.,
810 Union Bank Building,
Los Angeles, California.

For Appellee:

JOHN FLAM, Esq.,
914 Fidelity Building,
Los Angeles, California.

UNITED STATES OF AMERICA, ss.

To NATIONAL UNIT CORPORATION, a corporation GREETING:

You are hereby cited and admonished to be and appear at a United States Circuit Court of Appeals for the Ninth Circuit, to be held at the City of San Francisco, in the State of California, on the 20th day of June, A.D. 1938, pursuant to an order allowing appeal filed on May 20, 1938, in the Clerk's Office of the District Court of the United States, in and for the Southern District of California, in that certain cause No. 1183-C, Central Division, wherein Edward E. Bramlett, Charles R. Bramlett, Gordon F. Hatcher and E. Dana Brooks are appellants and you are appellee to show cause, if any there be, why the decree, order or judgment in the said appeal mentioned, should not be corrected, and speedy justice should not be done to the parties in that behalf.

WITNESS, the Honorable Geo. Cosgrave United States District Judge for the Southern District of California, this 21st day of May, A. D. 1938, and of the Independence of the United States, the one hundred and sixty second.

Geo. Cosgrave

U. S. District Judge for the Southern District of California.

Service of a copy of the foregoing citation is acknowledged this 21st day of May, 1938.

John Flam

Attorney for Appellee

[Endorsed]: Filed Jun. 20, 1938. R. S. Zimmerman, Clerk By Edmund L. Smith, Deputy Clerk.

UNITED STATES OF AMERICA, ss.

To NATIONAL UNIT CORPORATION, a corporation, GREETING:

You are hereby cited and admonished to be and appear at a United States Circuit Court of Appeals for the Ninth Circuit, to be held at the City of San Francisco, in the State of California, on the 20th day of June, A. D. 1938, pursuant to an order allowing appeal filed on May 20, 1938, in the Clerk's Office of the District Court of the United States, in and for the Southern District of California, in that certain cause No. 1184-C, Central Division, wherein Julius Goldfarb, Meyer Goldfarb and V. R. James and E. G. Heiden are appellants and you are appellee to show cause, if any there be, why the decree, order or judgment in the said appeal mentioned, should not be corrected, and speedy justice should not be done to the parties in that behalf.

WITNESS, the Honorable Geo. Cosgrave United States District Judge for the Southern District of California, this 21st day of May, A. D. 1938, and of the Independence of the United States, the one hundred and sixty second.

Geo. Cosgrave

U. S. District Judge for the Southern District of California.

Service of a copy of the foregoing Citation is acknowledged this 21st day of May, 1938.

John Flam

Attorney for Appellee

[Endorsed]: Filed Jun. 20, 1938 R. S. Zimmerman,
Clerk By Edmund L. Smith, Deputy Clerk.

IN THE DISTRICT COURT OF THE UNITED
STATES FOR THE SOUTHERN DISTRICT
OF CALIFORNIA CENTRAL DIVISION

NATIONAL UNIT CORPORATION,)
a corporation,)
Plaintiff,)
-vs-)
) IN EQUITY
EDWARD E. BRAMLETT, CHARLES) NO. 1183-C.
R. BRAMLETT, GORDON P.)
HATCHER, and E. DANA BROOKS,)
a co-partnership doing business under)
the firm name and style of B & H FOOD)
PRODUCTS CO.)
Defendants.)

TO THE HONORABLE JUDGES OF THE DIS-
TRICT COURT OF THE UNITED STATES IN
AND FOR THE SOUTHERN DISTRICT OF
CALIFORNIA, CENTRAL DIVISION:

The Plaintiff, for its Bill of Complaint, alleges:

I

That plaintiff, National Unit Corporation, is a corporation duly organized and existing under and by virtue of the laws of the State of California and has its principal place of business in the City of San Bernardino, in the County of San Bernardino, and State of California.

II

That upon information and belief defendants, Edward E. Bramlett, Charles R. Bramlett, Gordon P. Hatcher, and E. Dana Brooks, all citizens of the United States and residents of the City of San Bernardino, in the County

of San Bernardino, and State of California, constitute a co-partnership doing business under the firm name and style of B & H Food Products Co., and have their place of business in the City of San Bernardino, in the County of San Bernardino, and State of California.

III

That this court has jurisdiction of the cause of action herein, as the same is a suit in equity arising under the patent laws of the United States and based upon infringement of Letters Patent No. 2,028,838, issued January 28, 1936, relating to a Container and Dispenser.

IV

That Henry Kermin, a citizen of the United States and a resident of the City of San Bernardino, in the County of San Bernardino, and State of California, being the first, original and sole inventor of certain new and useful improvements in a container and dispenser, and being then as such inventor the person entitled by law to apply for and receive Letters Patent of the United States therefor, did in due form and apt time and in full compliance with the statutes in such cases made and provided, on to-wit, June 3, 1935, file his application with the proper department of the government of the United States for the grant to him of the United States Letters Patent upon and for the aforesaid invention.

Thereupon such proceedings were had and pursuant to said application and in due form and in full compliance of all the requirements of law then in force, that on, to-wit January 28, 1936, United States Letters Patent No. 2,028,838 were lawfully granted to said Henry Kermin for said invention, which Letters Patent are now in full force and effect, and which Letters Patent or duly

certified copy thereof are ready in court to be produced as and when this Honorable Court may direct; and the plaintiff prays that said Letters Patent may be deemed and taken as part of this Bill of Complaint, the same as though fully set forth herein.

V

That by an instrument of writing, dated the 14th day of March, 1936, duly signed, sealed and delivered to Moe Newman and Jennie Newman, both of the City of Los Angeles, County of Los Angeles, and State of California, said Henry Kermin duly sold, assigned and transferred unto said Moe Newman and Jennie Newman, the entire right, title and interest in and to the aforesaid Letters Patent and invention, whereby said Moe Newman and Jennie Newman became the sole and exclusive owners of the aforesaid Letters Patent and all rights thereunder.

That by an instrument in writing dated the 18th day of March, 1937 duly signed, sealed and delivered to the plaintiff, said Moe Newman and Jennie Newman duly sold, assigned and transferred unto the plaintiff the entire right, title and interest in and to the aforesaid Letters Patent and invention whereby the plaintiff became and now is the full and exclusive owner of the aforesaid Letters Patent and all rights thereunder, including all demands, claims and choses in action of every kind and description arising out of the infringement of said Letters Patent.

Said assignments or duly certified copies thereof are here in court ready to be produced and plaintiff prays that said assignments may be deemed and taken as a part of this Bill of Complaint the same as though fully set forth herein.

VI

That plaintiff by virtue of the premises aforesaid has become and now is the sole owner of the entire right, title and interest in and to said Letters Patent and of all rights and privileges granted and secured thereby, and is entitled to sue for injunctive relief and any infringement thereof, and to recover any profits and/or damages arising out of the infringement of said Letters Patent.

VII

That said invention so patented in and by said Letters Patent is of great commercial utility and value and went into extended use, for the dispensing of food products, and the trade and the public have generally recognized and acquiesced in the novelty, utility, value and patentability of said invention and have acquiesced in the validity of said Letters Patent and of the exclusive rights of plaintiff thereunder; and that plaintiff's licensees have made and distributed and leased containers and dispensers embodying the invention claimed in said Letters Patent; and plaintiff's Licensees have built up a profitable and valuable business in the manufacture and distribution and leasing of said containers and dispensers.

VIII

Plaintiff is informed and believes and therefore alleges that without the consent of plaintiff and in infringement of said Letters Patent defendants, Edward E. Bramlett, Charles R. Bramlett, Gordon P. Hatcher and E. Dana Brooks, jointly and severally, have within six years last past within the Southern District of California and elsewhere and prior to the commencement of this suit and subsequent to the issuance of said Letters Patent, unlawfully obtained containers and dispensers and caused to be

manufactured containers and dispensers, of the construction substantially as illustrated in Exhibit A attached to this Bill of Complaint, said Exhibit constituting a series of drawings showing the construction of apparatus obtained or caused to be manufactured by said defendants; and said defendants have distributed and/or sold and/or leased said containers and dispensers to others; and the plaintiff prays that said Exhibit A may be deemed and taken as a part of this Bill of Complaint.

IX

That said infringing acts of all of said defendants as set forth in paragraph VIII herein were without license or permission of the plaintiff and in violation and infringement of plaintiff's rights under said Letters Patent; that plaintiff is informed and believes and therefore alleges that all of said defendants threaten and intend to continue to use the invention described and claimed in said Letters Patent and to continue to cause to be manufactured and to continue to distribute and/or sell and/or lease, containers and dispensers substantially as illustrated in Exhibit A hereof; that all of the defendants have received and derived and are receiving and deriving from their aforesaid infringing acts large gains, profits and advantages which belong of right to plaintiff and which plaintiff would have derived and received excepting for the aforesaid infringing acts of said defendants, but the total amount thereof plaintiff is unable to set forth without an accounting, and plaintiff prays discovery thereof, that unless the said infringing acts of all of the defendants

are early restrained by order of this court, and a writ of injunction issuing out of this court, irreparable injury, loss and damage will be caused to the plaintiff, and plaintiff has no clear, adequate and complete remedy at law.

X

That since the granting of said Letters Patent and the assignments thereof as aforesaid the plaintiff's licensees have complied with the provisions of Section 4900 of the Revised Statutes of the United States by affixing upon the containers and dispensers containing said improvements and inventions manufactured by licensees of the plaintiff, the word "Patented" together with the number of the patent.

WHEREFORE, the plaintiff prays :

(1) For a decree adjudging plaintiff's aforesaid Letters Patent are good and valid and are owned by the plaintiff and have been infringed by the defendants.

(2) That a writ of injunction issue out of this court enjoining and restraining each of the defendants, their directors, officers, associates, attorneys, clerks, servants, agents, workmen, employees and confederates and each of them not only perpetually, but provisionally during the pendency of this suit, from making, causing to be made, using or causing to be used, contributing to the making or causing to be made or used, or selling, or leasing or otherwise disposing of any containers or dispensers embodying or containing the invention patented by said Letters Patent.

(3) That each of the defendants be ordered and decreed to deliver to plaintiff all of said infringing containers and dispensers which any of them has in his possession or control, or that such apparatus be destroyed or that the same be delivered to this Honorable Court for such final disposition as to the court may seem just and proper.

(4) That defendants be decreed to account to plaintiff for all of the gains, profits and advantages realized or received by them from said infringing acts, and that plaintiff have judgment against defendants for the damages suffered by plaintiff in the premises.

(5) That a writ of subpoena ad respondendum be issued under the seal of this court directed to said defendants requiring them to answer this Bill of Complaint within the time specified by the Equity Rules.

(6) That defendants be decreed to pay the costs, charges and disbursements of this suit.

(7) That the plaintiff may have such other and further relief in the premises as the equity of the case may require and to the court may seem meet and just.

NATIONAL UNIT CORPORATION,

By Moe S. Newman

Treasurer.

John Flam

Attorney for Plaintiff.

STATE OF CALIFORNIA)
) SS:
 COUNTY OF LOS ANGELES)

MOE S. NEWMAN, being duly sworn, deposes and says:

That he is the Treasurer of the National Unit Corporation, and is duly authorized to make this affidavit; that he has read the foregoing Bill of Complaint by him signed and knows the contents thereof and that the same is true, except as to such matters alleged to be upon information and belief and as to these matters he verily believes them to be true.

Moe S. Newman

Subscribed and sworn to before me this 12th day of June, 1937.

[Seal] Charlotte M. Sullivan
 Notary Public in and for the County of Los Angeles,
 State of California.

[For Exhibit "A" hereto attached see Exhibit A attached to Complaint in Case No. 1184 M, page 34.]

[Endorsed]: Filed Jun. 14, 1937 R. S. Zimmerman,
 Clerk By L. B. Figg, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

In Equity No. 1183-C

ANSWER TO COMPLAINT.

Come now the defendants Edward E. Bramlett, Charles R. Bramlett, Gordon P. Hatcher, and E. Dana Brooks, a co-partnership doing business under the firm name and style of B & H Food Products Co., and B & H. Food Products Co., and Edward E. Bramlett, Charles R. Bramlett, Gordon P. Hatcher and E. Dana Brooks, and each for himself and not for any of the other co-defendants, answers the Bill of Complaint herein as follows:

I.

Admits that plaintiff National Unit Corporation, is a corporation duly organized and existing under and by virtue of the laws of the State of California and has its principal place of business in San Bernardino, State of California.

II.

Admits that the defendants Edward E. Bramlett, Charles R. Bramlett, Gordon P. Hatcher and E. Dana Brooks are all citizens of the United States and residents of San Bernardino and constitute a partnership doing business under the firm name and style of B & H Food Products Co. with its principal place of business in San Bernardino, California.

III.

Admits that this court has jurisdiction of the cause of action herein as the same is a suit in equity arising under the patent laws of the United States and claims infringement of Letters Patent No. 2,028,838 issued January 28,

1936, relating to a container and dispenser, but denies that the suit is based upon infringement of said Letters Patent and denies that there is any infringement thereof by these defendants or any of them.

IV.

Denies that Henry Kermin was the first or original or sole inventor of certain new and useful improvements in a container and dispenser, or that the alleged invention was new, and denies that as such alleged inventor he was the first entitled by law to apply for and receive Letters Patent, and denies that he did in due form and apt time and/or in full compliance with the statutes in such cases made and provided, make his application for Letters Patent.

Admits that he did file an application on June 3, 1935, but denies that thereupon such proceedings were had in due form, or in full compliance with all the requirements of the law then in force, that Letters Patent were lawfully granted to said Henry Kermin for said invention, but admits that there were purported Letters Patent No. 2,028,838 issued on January 28, 1936.

V.

For lack of information or belief sufficient to base an allegation, denies that by an instrument in writing dated the 14th day of March, 1936, or at any time, duly signed, sealed or delivered, or signed, sealed and delivered in any manner to Moe Newman and Jennie Newman of Los Angeles or elsewhere, said Henry Kermin duly or otherwise, sold, assigned and/or transferred unto said Moe Newman and Jennie Newman the entire, or any right, title and interest in and to the aforesaid alleged letters patent and alleged invention, or that thereby said Moe Newman

and Jennie Newman became the sole and/or exclusive, or any owners of the aforesaid letters patent or of any rights thereunder. Defendants likewise deny that by an instrument in writing dated the 18th day of March, 1937 or at any other date, duly or otherwise signed or sealed or delivered to the plaintiff, said Moe Newman and Jennie Newman duly or at all sold, assigned or transferred unto plaintiff the entire or any right, title and/or interest in and to the aforesaid alleged letters patent and alleged invention, and denies that by said alleged instrument or otherwise the plaintiff became or now is the full and/or exclusive owner of the aforesaid alleged letters patent or any right thereunder, or any demands, claims or choses of action of any kind or description arising out of infringement of said letters patent.

VI.

For lack of information or belief sufficient to base an allegation, denies that the plaintiff has become and/or now is the sole owner of the entire or any right, title and/or interest in and to said Letters Patent or to any rights and/or privileges under the alleged Letters Patent and further denies that plaintiff is entitled to sue for injunctive relief or to sue for infringement of said alleged Letters Patent or to recover profits or damages arising out of any claimed infringement of the alleged Letters Patent.

VII.

Denies that there is any invention patented in the alleged Letters Patent or that the alleged invention is of great commercial utility and value or that it has gone into extended use for the dispensing of food products and denies that the trade and public have generally

recognized and/or acquiesced in the alleged novelty, utility, value and patentability of said invention and denies that it has any novelty, utility, value or patentability, and denies that the public has acquiesced in the validity of said alleged Letters Patent and of the claimed exclusive rights of the plaintiff thereunder, and denies that plaintiff's licensees have made and distributed and leased containers or dispensers embodying the alleged invention claimed in said Letters Patent and denies that plaintiff's licensees have built up a profitable and/or valuable business in the manufacture and distribution and/or leasing of said containers and/or dispensers.

VIII.

Denies that without the consent of plaintiff and in infringement of said purported Letters Patent defendants Edward E. Bramlett, Charles R. Bramlett, Gordon P. Hatch and E. Dana Brooks jointly and/or severally have within six years last past, within the Southern District of California or anywhere, prior to the commencement of this suit and subsequent to the issuance of said Letters Patent or at any time unlawfully obtained containers and/or dispensers, or that they caused to be manufactured containers and/or dispensers in infringement of said alleged Letters Patent, but admit that they have dealt with containers and dispensers of the construction illustrated by drawings only of Exhibit A, but deny that said containers and/or dispensers are in infringement of the alleged Letters Patent herein.

IX.

Denying any infringing acts, admits that the acts complained of were without license or permission of plaintiff; denies that defendants threaten or intend to continue to

use the alleged invention, but admits that they intend to continue to manufacture or cause to be manufactured, use, distribute and sell containers and dispensers as illustrated in the drawings only of Exhibit A. Denies that any or all of the defendants have received and/or derived or are receiving or deriving from any infringing acts large or any gains, profits and/or advantages, or that there are any gains, profits or advantages which belong of right to plaintiff, or which plaintiff would have derived and/or received excepting for any alleged infringing acts, and denies that any irreparable injury, loss or damage has been or will be caused the plaintiff, or that plaintiff has no clear, adequate and complete remedy at law.

X.

For lack of information or belief sufficient to base an allegation, denies that since the granting of said alleged Letters Patent and the alleged assignments thereof, that plaintiff's licensees have complied with the provisions of section 4900 of the Revised Statutes of the United States by affixing upon the containers and dispensers purporting to be manufactured under said patent the words "Patented" together with the number of the patent.

FOR A SECOND FURTHER AND SEPARATE DEFENSE, defendant alleges that at the time of Henry Kermin's alleged discovery and alleged invention, the said alleged invention for which Letters Patent were issued No. 2,028,838 was not at that time new, but was on the contrary well known and had been patented by others before Kermin's alleged discovery or invention or more than two years prior to his said date of application and had been described in printed publications before said Kermin's alleged invention thereof, or for more than two

years prior to his application for Letters Patent, and if there were any invention in the matters alleged to be patented by said Kermin, which is not admitted but denied, then said Kermin was not the original and/or first inventor of any material and/or substantial part of the thing patented, but on the contrary all such things had been priorly invented and described by others, all as shown by the following Letters of United States Patents wherein the names of the patentees and inventors, dates and numbers of patents are given, and as shown by other and further prior patents and other and further printed publications, specific knowledge of which defendant at the present time has not, but begs leave to plead by amendment to his answer or by supplemental answer, when discovered:

Name	Number	Date
Oliphant	1,075,268	Oct. 7, 1913
Weatherhead	1,161,557	Nov. 23, 1915
Griffiths	1,004,019	Sep. 26, 1911
Cordley	1,260,335	Mar. 26, 1918
Coffin	1,723,229	Aug. 6, 1929
Cox	1,267,635	May 28, 1918
Jacobson et al.	1,787,785	Jan. 6, 1931
Ower et al	1,987,578	Jan. 8, 1935
Finney	2,067,523	Jan. 12, 1937
Heyndrickx	2,019,412	Oct. 29, 1935
Craig	965,875	Aug. 2, 1910
Scofield	1,810,734	June 16, 1931
Teague	1,601,006	Sep. 28, 1926

FOR A THIRD FURTHER AND SEPARATE DEFENSE, alleges that in view of the art prior to said Kermin's alleged invention as discovered and claimed in Letters patent 2,028,838, particularly the prior art set out in the preceeding special defense, there was no patentable invention in that for which said Kermin's said alleged patent was issued and for said reason also said patent is invalid for want of invention involving only the mere skill and adaptation of the ordinary mechanic skilled in the art; that each and all of the members, combinations and parts thereof were common, well known expedients in said art, and the said alleged invention did not in law or in fact require more than the ordinary skill of the mechanic in said art at said time to devise same.

WHEREFORE said defendants pray that plaintiff take nothing by its action herein, and that they may go hence and recover their costs incurred and expended herein.

Robert I. Kronick, per C C M

Charles C. Montgomery

Attorneys for Defendants.

[Endorsed]: Filed Aug. 24, 1937 R. S. Zimmerman,
Clerk By Edmund L. Smith, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

1183-C In Equity
STIPULATION.

IT IS STIPULATED by and between the parties to the above entitled action through their respective counsel:

That printed and photostatic copies of all United States patents, may be received in evidence with the same force and effect as original or certified copies of such patents; that the issue dates appearing on such United States patents be taken as their true issue dates; and that the dates of filing of applications as appearing on such United States patents be taken as their true filing dates; all, however, subject to comparison with originals in order to correct any inaccuracies appearing on such patents.

Dated: March 25 1938.

John Flam

Attorney for Plaintiff.

Robert I. Kronick

Charles C. Montgomery

Attorney for Defendants.

[Endorsed]: Filed Mar. 29, 1938 R. S. Zimmerman,
Clerk. By Francis E. Cross, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

In Equity No. 1183-C

FINDINGS OF FACT AND CONCLUSIONS OF
LAW

The above entitled cause having been tried on March 29 and 30, 1938, after due consideration the Court enters the following findings of fact and conclusions of law, pursuant to Equity Rule 70½.

FINDINGS OF FACT

1. Plaintiff, National Unit Corporation, is the lawful owner of the entire right, title and interest in and to U. S. Letters Patent No. 2,028,838, granted January 28, 1936, in the name of Henry Kernin, together with all rights of action for past infringement thereof;

2. Defendants, Edward E. Bramlett, Charles R. Bramlett, Gordon P. Hatcher, and E. Dana Brooks, constituting the co-partnership known as B & H Food Products Company, with its principal place of business in the City of San Bernardino, State of California, within six years last past and in the Southern District of California, were engaged and are engaging in the distribution and supplying for use, apparatus exemplified by Plaintiff's Exhibit 7; said apparatus including a stand, a container supported on the stand, a feeding device connected to the container and a restraining means cooperating with the feeding device, said apparatus corresponding to the combination set forth in Claims 2 and 3 of said Letters Patent; and have supplied such apparatus for use.

4. All of the defendants herein are charged with notice prior to the commencement of this action, of the issuance of the said Letters Patent in suit.

5. Claims 2 and 3 of Letters Patent No. 2,028,838, issued January 28, 1936 to H. Kermin, define invention over all of the alleged prior art introduced herein.

CONCLUSIONS OF LAW

1. Claims 2 and 3 of patent No. 2,028,838, issued January 28, 1936 to H. Kermin, are good and valid in law;

2. Defendants Edward E. Bramlett, Charles R. Bramlett, Gordon P. Hatcher, and E. Dana Brooks, constituting said co-partnership, have infringed and are infringing Claims 2 and 3 of said Letters Patent No. 2,028,838, by supplying for use apparatus exemplified by Plaintiff's Exhibit 7.

3. Plaintiff is entitled to an injunction and an accounting as prayed for in the Bill of Complaint herein.

Geo. Cosgrave

United States District Judge

Approved as to form, as provided in Rule 44

Charles C. Montgomery

Robert I. Kronick

Attorneys for Defendants

[Endorsed]: Filed May 10, 1938 R. S. Zimmerman,
Clerk By Francis E. Cross, Deputy Clerk.

IN THE DISTRICT COURT OF THE UNITED
STATES SOUTHERN DISTRICT OF CALI-
FORNIA, CENTRAL DIVISION

NATIONAL UNIT CORPO-)	
RATION, a corporation,)	
	Plaintiff,	) IN EQUITY NO.
vs.	)	1183-C
	)	) INTERLOCUTORY
EDWARD E. BRAMLETT,	)	DECREE
et al,)	
	Defendants.)

This cause came on to be heard on oral arguments at this term, and findings of fact and conclusions of law having been made by this Court, and the Court having given full consideration, it is ordered, adjudged and decreed as follows:

1. That the plaintiff, National Unit Corporation, is the owner of United States Letters Patent No. 2,028,838, and the inventions disclosed therein, and of all rights and privileges thereunder.

2. That claims 2 and 3 of said patent No. 2,028,838 are good and valid in law.

3. That the defendants Edward E. Bramlett, Charles R. Bramlett, Gordon P. Hatcher, and E. Dana Brooks have infringed claims 2 and 3 of said Letters Patent and

have violated the rights of the plaintiff thereunder by distributing and supplying for use, apparatus as exemplified by Plaintiff's Exhibit 7.

4. That a writ of injunction issue out of and under the seal of this Court, directed to the defendants, Edward E. Bramlett, Charles R. Bramlett, Gordon P. Hatcher and E. Dana Brooks, perpetually enjoining and restraining the said defendants, their associates, attorneys, clerks, workmen, agents, employees and confederates, and each of them, from directly or indirectly manufacturing, or distributing, or using, or supplying for use, or selling, apparatus exemplified by Plaintiff's Exhibit 7 herein, or any apparatus embodying the invention claimed in claims 2 and 3, and from offering or advertising so to do, and from aiding or abetting or in any way contributing to the infringement of either of said claims of said patent.

5. That plaintiff recover from the defendants, Edward E. Bramlett, Charles R. Bramlett, Gordon P. Hatcher, and E. Dana Brooks, the damages which plaintiff has suffered and the profits which the said defendants have made by reason of their infringement of said Letters Patent, and that this cause be referred to David B. Head, Esquire, to take and report an account of such profits and damages, and that the defendants, their agents, clerks, employees and confederates are required to attend before said Master from time to time as he may direct, and to produce for him all evidence necessary for the taking of such an account, and to submit to such oral examination as he may direct.

6. That the plaintiff recover from the defendants its costs and disbursements herein in the sum of \$69.55 and that plaintiff have execution therefor against the said defendants.

Dated this 10th day of May, 1938.

Geo Cosgrave
United States District Judge

Approved as to form as provided under Rule 44

Charles C. Montgomery
Robert I. Kronick
Attorneys for Defendants

Decree entered and recorded May 10, 1938

R. S. ZIMMERMAN,
Clerk

By Francis E. Cross,
Deputy Clerk.

[Endorsed]: Filed May 10, 1938. R. S. Zimmerman,
Clerk By Francis E. Cross, Deputy Clerk.

IN THE DISTRICT COURT OF THE UNITED
STATES FOR THE SOUTHERN DISTRICT
OF CALIFORNIA CENTRAL DIVISION

NATIONAL UNIT CORPORATION,)	
a corporation,)	
	)	Plaintiff,
)	
)	
-vs-)	
	)	IN EQUITY
JULIUS GOLDFARB, MEYER GOLD-	)	NO. 1184-M
FARB, and ANN GOLDFARB, a co-)	
partnership doing business under the firm)	
name and style of FOOD CRAFT)	
PRODUCTS CO., V. R. JAMES, and)	
E. G. HEIDEN,)	
	)	Defendants.
_____)	

TO THE HONORABLE JUDGES OF THE DIS-
TRICT COURT OF THE UNITED STATES IN
AND FOR THE SOUTHERN DISTRICT OF
CALIFORNIA, CENTRAL DIVISION:

The plaintiff, for its Bill of Complaint, alleges:

I

That plaintiff, National Unit Corporation, is a corporation duly organized and existing under and by virtue of the laws of the State of California and has its principal place of business in the City of San Bernardino, in the County of San Bernardino, and State of California.

II

That upon information and belief defendants Julius Goldfarb, Meyer Goldfarb, and Ann Goldfarb, all citizens

of the United States and residents of the City of Los Angeles, County of Los Angeles and State of California, constitute a co-partnership doing business under the firm name and style of Food Craft Products Co. and have their place of business in the City of Los Angeles, County of Los Angeles and State of California; that defendant V. R. James is a citizen of the United States and a resident of the City of Los Angeles, County of Los Angeles, and State of California; and that defendant E. G. Heiden is a citizen of the United States and a resident of the City of Fullerton, County of Orange, and State of California.

III

That this court has jurisdiction of the cause of action herein, as the same is a suit in equity arising under the patent laws of the United States and based upon infringement of Letters Patent No. 2,028,838, issued January 28, 1936, relating to a Container and Dispenser.

IV

That Henry Kermin, a citizen of the United States and a resident of the City of San Bernardino, in the County of San Bernardino and State of California, being the first, original and sole inventor of certain new and useful improvements in a container and dispenser, and being then as such inventor the person entitled by law to apply for and receive Letters Patent of the United States therefor, did in due form and apt time and in full compliance with the statutes in such cases made and provided, on to-wit, June 3, 1935, file his application with the proper department of the government of the United States for the grant to him of the United States Letters Patent upon and for the aforesaid invention.

Thereupon such proceedings were had and pursuant to said application and in due form and in full compliance of all the requirements of law then in force, that on, to-wit, January 28, 1936, a United States Letters Patent No. 2,028,838 were lawfully granted to said Henry Kermin for said invention, which Letters Patent are now in full force and effect, and which Letters Patent or duly certified copy thereof are ready in court to be produced as and when this Honorable Court may direct; and the plaintiff prays that said Letters Patent may be deemed and taken as part of this Bill of Complaint, the same as though fully set forth herein.

V

That by an instrument of writing, dated the 14th day of March, 1936, duly signed, sealed and delivered to Moe Newman and Jennie Newman, both of the City of Los Angeles, County of Los Angeles, and State of California, said Henry Kermin duly sold, assigned and transferred unto said Moe Newman and Jennie Newman, the entire right, title and interest in and to the aforesaid Letters Patent and invention, whereby said Moe Newman and Jennie Newman became the sole and exclusive owners of the aforesaid Letters Patent and all rights thereunder.

That by an instrument in writing dated the 18th day of March, 1937 duly signed, sealed and delivered to the plaintiff, said Moe Newman and Jennie Newman duly sold, assigned and transferred unto the plaintiff the entire right, title and interest in and to the aforesaid Letters Patent and invention whereby the plaintiff became and

now is the full and exclusive owner of the aforesaid Letters Patent and all rights thereunder, including all demands, claims and choses in action of every kind and description arising out of the infringement of said Letters Patent.

Said assignments or duly certified copies thereof are here in court ready to be produced and plaintiff prays that said assignments may be deemed and taken as a part of this Bill of Complaint the same as though fully set forth herein.

VI

That plaintiff by virtue of the premises aforesaid has become and now is the sole owner of the entire right, title and interest in and to said Letters Patent and of all rights and privileges granted and secured thereby, and is entitled to sue for injunctive relief and any infringement thereof, and to recover any profits and/or damages arising out of the infringement of said Letters Patent.

VII

That said invention so patented in and by said Letters Patent is of great commercial utility and value and went into extended use, for the dispensing of food products and the trade and the public have generally recognized and acquiesced in the novelty, utility, value and patentability of said invention and have acquiesced in the validity of said Letters Patent and of the exclusive rights of plaintiff thereunder; and that plaintiff's licensees have made and distributed and leased containers and dispensers embodying the invention claimed in said Letters Patent; and plaintiff's licensees have built up a profitable and valuable business in the manufacture and distribution and leasing of said containers and dispensers.

VIII

That plaintiff heretofore and prior to the commencement of this suit has notified the defendants Julius, Goldfarb, Meyer Goldfarb, and Ann Goldfarb of the grant, issuance and delivery of said Letters Patent and has warned these said defendants not to infringe thereon; and plaintiff is informed and believes and therefore alleges that without the consent of plaintiff and in infringement of said Letters Patent, and specifically claims 2 and 3 thereof, said defendants Julius, Goldfarb, Meyer Goldfarb, and Ann Goldfarb have within six years last past within the Southern District of California and elsewhere and prior to the commencement of this suit and subsequent to the issuance of said Letters Patent, jointly and severally manufactured and/or caused to be manufactured containers and dispensers embodying the said invention described and claimed in claims 2 and 3 of said Letters Patent; and have supplied to defendants, V. R. James and E. G. Heiden, said containers and dispensers with the knowledge, intention, understanding and agreement that the said containers and dispensers were to be distributed and leased and/or sold by said defendants V. R. James and E. G. Heiden, within the counties of Los Angeles and of Orange, in the State of California, and all within the Southern District of California; and defendants Julius Goldfarb, Meyer Goldfarb, and Ann Goldfarb have thereby infringed said Letters Patent and particularly claims 2 and 3 thereof; that the specific constructions herein so manufactured or caused to be manufactured and so supplied by defendants Julius Goldfarb, Meyer Gold-

farb, and Ann Goldfarb are illustrated substantially in Exhibits A and B attached to this Bill of Complaint, Exhibit A constituting a series of drawings showing the construction of one type of apparatus manufactured or caused to be manufactured and supplied by the defendants Julius Goldfarb, Meyer Goldfarb, and Ann Goldfarb; and Exhibit B constituting a series of drawings illustrating another form of apparatus alleged to be manufactured or caused to be manufactured, and supplied by defendants Julius Goldfarb, Meyer Goldfarb, and Ann Goldfarb; and the plaintiff prays that said Exhibits A and B may be deemed and taken as a part of this Bill of Complaint.

IX

Plaintiff is informed and believes and therefore alleges that without the consent of plaintiff and in infringement of said Letters Patent defendant V. R. James has within six years last past within the Southern District of California and elsewhere and prior to the commencement of this suit and subsequent to the issuance of said Letters Patent, obtained containers and dispensers manufactured or caused to be manufactured by said defendants Julius Goldfarb, Meyer Goldfarb, and Ann Goldfarb, and of the construction substantially as illustrated in Exhibits A and B hereof, and has distributed and/or sold and/or leased said containers and dispensers to others.

X

Plaintiff is informed and believes and therefore alleges that without the consent of plaintiff and in infringement of said Letters Patent defendant E. G. Heiden has

within six years last past within the Southern District of California and elsewhere and prior to the commencement of this suit and subsequent to the issuance of said Letters Patent, obtained containers and dispensers manufactured or caused to be manufactured by said defendants Julius Goldfarb, Meyer Goldfarb, and Ann Goldfarb, of the construction substantially as illustrated in Exhibits A and B hereof, and his distributed and/or sold and/or leased said containers and dispensers to others.

XI

That said infringing acts of all of said defendants as set forth in paragraphs VIII, IX, and X herein were without license or permission of the plaintiff and in violation and infringement of plaintiff's rights under said Letters Patent; that plaintiff is informed and believes and therefore alleges that all of said defendants threaten and intend to continue to use the invention described and claimed in said Letters Patent and to continue to manufacture or cause to be manufactured and distributed and/or sold and/or leased, containers and dispensers substantially as illustrated in *Exhibit A* and *B* hereof; that all of the defendants have received and derived and are receiving and deriving from their aforesaid infringing acts large gains, profits and advantages which belong of right to plaintiff and which plaintiff would have derived and received excepting for the aforesaid infringing acts of all of said defendants, but the total amount thereof plaintiff is unable to set forth without an accounting, and

plaintiff prays discovery thereof; that unless the said infringing acts of all of the defendants are early restrained by order of this court, and a writ of injunction issuing out of this court, irreparable injury, loss and damage will be caused to the plaintiff and plaintiff has no clear, adequate and complete remedy at law.

XII

That since the granting of said Letters Patent and the assignments thereof as aforesaid the plaintiff's licensees have complied with the provisions of Section 4900 of the Revised Statutes of the United States by affixing upon the containers and dispensers containing said improvements and inventions manufactured by licensees of the plaintiff, the word "Patented" together with the number of the patent.

WHEREFORE, the plaintiff prays:

(1) For a decree adjudging plaintiff's aforesaid Letters Patent are good and valid and are owned by the plaintiff and have been infringed by the defendants.

(2) That a writ of injunction issue out of this court enjoining and restraining each of the defendants, their directors, officers, associates, attorneys, clerks, servants, agents, workmen, employees and confederates and each of them not only perpetually, but provisionally during the pendency of this suit, from making, causing to be made, using or causing to be used, contributing to the making or causing to be made or used, or selling, or leasing or otherwise disposing of any containers or dispensers em-

bodying or containing the invention patented by said Letters Patent.

(3) That each of the defendants be ordered and decreed to deliver to plaintiff all of said infringing containers and dispensers which any of them has in his or her possession or control, or that such apparatus be destroyed or that the same be delivered to this Honorable Court for such final disposition as to the court may seem just and proper.

(4) That defendants be decreed to account to plaintiff for all of the gains, profits and advantages realized or received by them from said infringing acts, and that plaintiff have judgment against defendants for the damages suffered by plaintiff in the premises.

(5) That a writ of subpoena ad respondendum be issued under the seal of this court directed to all of said defendants requiring them to answer this Bill of Complaint within the time specified by the Equity Rules.

(6) That defendants, be decreed to pay the costs charges and disbursements of this suit.

(7) That the plaintiff may have such other and further relief in the premises as the equity of the case may require and to the court may seem meet and just.

NATIONAL UNIT CORPORATION,

By M. S. Newman

Treasurer.

John Flam

Attorney for Plaintiff.

STATE OF CALIFORNIA)
) SS:
COUNTY OF LOS ANGELES)

MOE S. NEWMAN, being duly sworn, deposes and says:

That he is the Treasurer of the National Unit Corporation, and is duly authorized to make this affidavit; that he has read the foregoing Bill of Complaint by him signed and knows the contents thereof and that the same is true, except as to such matters alleged to be upon information and belief and as to these matters he verily believes them to be true.

Moe S. Newman

Subscribed and sworn to before me this 12th day of June, 1937.

[Seal]

Charlotte M. Sullivan

Notary Public in and for the County of Los Angeles,
State of California.

(Photostats.)

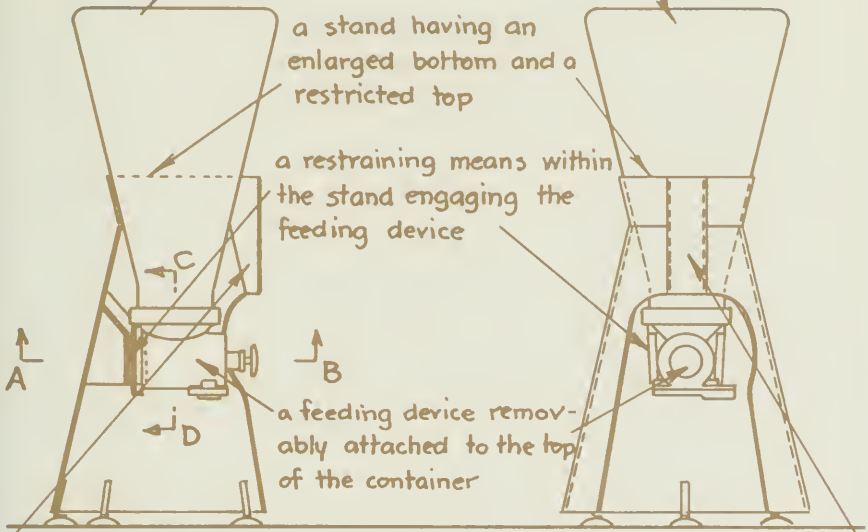
[Endorsed]: Filed Jun. 14, 1937. R. S. Zimmerman,
Clerk By L. B. Figg, Deputy Clerk.

A container with an enlarged base and a restricted top portion

a stand having an enlarged bottom and a restricted top

a restraining means within the stand engaging the feeding device

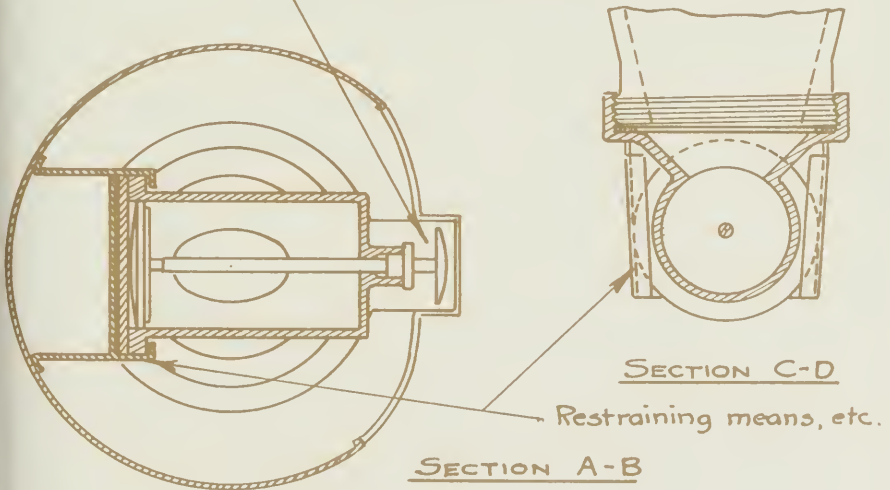
a feeding device removably attached to the top of the container



SECTION ON C

FRONT ELEVATION

a substantially vertical opening in the wall of the stand



SECTION C-D

SECTION A-B

EXHIBIT "A"

A container with an enlarged base and a restricted top portion

a stand having an enlarged bottom and a restricted top

a restraining means, as in Exh. "A"

a feeding device, as in Exh. "A"

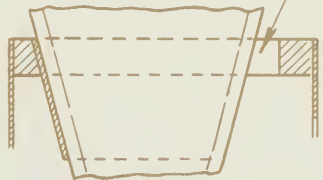
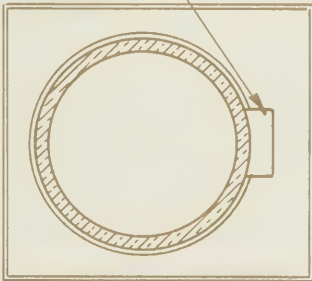
A

B

SIDE ELEVATION

FRONT ELEVATION

a substantially vertical opening in the wall of the stand



PART SECTION A-B

SECTION E-F

EXHIBIT "B"

[TITLE OF DISTRICT COURT AND CAUSE.]

In Equity No. 1184-M
ANSWER TO COMPLAINT.

Come now the defendants Julius Goldfarb, Meyer Goldfarb and Ann Goldfarb, sued as a co-partnership doing business under the firm name of Foodcraft Products Co., and Julius Goldfarb and Meyer Goldfarb, a co-partnership doing business under the firm name and style of Food Craft Products Co., and Food Craft Products Co., a co-partnership, and V. R. James and E. G. Heiden, and each for himself and not for any of the other co-defendants, answers the Bill of Complaint herein as follows:

I.

Admits that plaintiff National Unit Corporation, is a corporation duly organized and existing under and by virtue of the laws of the State of California and has its principal place of business in San Bernardino, State of California.

II.

Admits that the defendants Julius Goldfarb, Meyer Goldfarb and Ann Goldfarb are citizens of the United States and residents of Los Angeles, California, but deny that said parties constitute a co-partnership doing business under the firm name and style of Food Craft Food Products Co.

Admits that Julius Goldfarb and Meyer Goldfarb constitute a co-partnership, doing business under the firm name and style of Food Craft Food Products Co., which co-partnership has its place of business in Los Angeles, California.

Admits that V. R. James is a citizen of the United States and a resident of Los Angeles, California, and that E. G. Heiden is a citizen of the United States and a resident of Fullerton, California.

III.

Admits that this court has jurisdiction of the cause of action herein as the same is a suit in equity arising under the patent laws of the United States and claims infringement of Letters Patent No. 2,028,838 issued January 28, 1936, relating to a container and dispenser, but denies that the suit is based upon infringement of said Letters Patent and denies that there is any infringement thereof by these defendants or any of them.

IV.

Denies that Henry Kermin was the first or original or sole inventor of certain new and useful improvements in a container and dispenser, or that the alleged invention was new, and denies that as such alleged inventor he was the first entitled by law to apply for and receive Letters Patent, and denies that he did in due form and apt time and/or in full compliance with the statutes in such cases made and provided, make his application for Letters Patent.

Admits that he did file an application on June 3, 1935, but denies that thereupon such proceedings were had in due form, or in full compliance with all the requirements of the law then in force, that Letters Patent were lawfully granted to said Henry Kermin for said invention, but admits that there were purported Letters Patent No. 2,028,838 issued on January 28, 1936.

V.

For lack of information or belief sufficient to base an allegation, denies that by an instrument in writing dated the 14th day of March, 1936, or at any time, duly signed, sealed or delivered, or signed, sealed and delivered in any manner to Moe Newman and Jennie Newman of Los Angeles or elsewhere, said Henry Kermin duly or otherwise, sold, assigned and/or transferred unto said Moe Newman and Jennie Newman the entire, or any right, title and interest in and to the aforesaid alleged letters patent and alleged invention, or that thereby said Moe Newman and Jennie Newman became the sole and/or exclusive, or any owners of the aforesaid letters patent or of any rights thereunder. Defendants likewise deny that by an instrument in writing dated the 18th day of March, 1937 or at any other date, duly or otherwise signed or sealed or delivered to the plaintiff, said Moe Newman and Jennie Newman duly or at all sold, assigned or transferred unto plaintiff the entire or any right, title and/or interest in and to the aforesaid alleged letters patent and alleged invention, and denies that by said alleged instrument or otherwise the plaintiff became or now is the full and/or exclusive owner of the aforesaid alleged letters patent or any right thereunder, or any demands, claims or choses of action of any kind or description arising out of infringement of said letters patent.

VI.

For lack of information or belief sufficient to base an allegation, denies that the plaintiff has become and/or now is the sole owner of the entire or any right, title and/or interest in and to said Letters Patent or to any rights and/or privileges under the alleged Letters Patent

and further deny that plaintiff is entitled to sue for injunctive relief or to sue for infringement of said alleged Letters Patent or to recover profits or damages arising out of any claimed infringement of the alleged Letters Patent.

VII.

Denies that there is any invention patented in the alleged Letters Patent or that the alleged invention is of great commercial utility and value or that it has gone into extended use for the dispensing of food products and denies that the trade and public have generally recognized and/or acquiesced in the alleged novelty, utility, value and patentability of said invention and denies that it has any novelty, utility, value or patentability, and denies that the public has acquiesced in the validity of said alleged Letters Patent and of the claimed exclusive rights of the plaintiff thereunder, and denies that plaintiff's licensees have made and distributed and leased containers or dispensers embodying the alleged invention claimed in said Letters Patent and denies that plaintiff's licensees have built up a profitable and/or valuable business in the manufacture and distribution and/or leasing of said containers and/or dispensers.

VIII.

Admits that plaintiff heretofore and prior to the commencement of this suit sent out a notice to Julius Goldfarb, Meyer Goldfarb and Ann Goldfarb of the issuance and delivery of said Letters Patent and has warned these defendants not to infringe, but denies that without the consent of plaintiff and in infringement of said alleged Letters Patent, specifically claims 2 and 3 thereof, that any of said defendants Julius Goldfarb, Meyer Goldfarb and

Ann Goldfarb have within six years last past or at any time, within the Southern District of California and elsewhere prior to the commencement of this suit and subsequent to the issuance of said alleged Letters Patent or at all, jointly and/or severally manufactured and/or caused to be manufactured, containers and dispensers embodying the said alleged invention described and claimed in claims 2 and 3 of said Letters Patent, and deny that they or any of them have committed any acts of infringement or have supplied to the defendants V. R. James and E. G. Heiden, containers and dispensers with the knowledge, intention, understanding and/or agreement that said containers and dispensers were to be distributed and leased and/or sold by said V. R. James and E. G. Heiden within the counties of Los Angeles and/or Orange in infringement of said alleged Letters Patent, and deny that defendants Julius Goldfarb, Meyer Goldfarb and/or Ann Goldfarb either jointly or severally have infringed said letters patent particularly claims 2 and 3 thereof. Denies that the specific constructions alleged to be so manufactured or caused to be manufactured and supplied by defendants Julius Goldfarb, Meyer Goldfarb and/or Ann Goldfarb as illustrated substantially in Exhibits A and B in plaintiff's Bill of Complaint were supplied in any manner by Ann Goldfarb. Admits that Exhibit A constitutes a series of drawings which so far as the drawings themselves are concerned illustrate to an extent the construction of one type of apparatus manufactured or caused to be manufactured and supplied by defendants Julius Goldfarb and Meyer Goldfarb, but not Ann Goldfarb, and admits that Exhibit B insofar as the drawings themselves are concerned illustrate another form of apparatus which was manufactured

but not dealt in commercially and that said Ann Goldfarb was not connected therewith.

IX.

Denies that without the consent of plaintiff and in infringement of alleged Letters Patent, defendant V. R. James has within six years last past within the Southern District of California or elsewhere, and prior to the commencement of this suit and subsequent to the issuance of said alleged letters patent, or at any time, obtained containers and dispensers manufactured or caused to be manufactured by said defendants Julius Goldfarb, Meyer Goldfarb and Ann Goldfarb, but admit that said defendant has obtained containers and dispensers of the construction as illustrated in the drawings only of Exhibit A and has distributed and/or sold and/or leased said containers and dispensers to others but not in infringement of the alleged letters patent.

X.

Denies that without the consent of plaintiff and in infringement of said alleged Letters Patent, defendant E. G. Heiden has within six years last past within the Southern District of California or elsewhere prior to the commencement of this suit and subsequent to the issuance of said alleged Letters Patent or at any time obtained containers and dispensers manufactured or caused to be manufactured by said defendants Julius Goldfarb, Meyer Goldfarb and Ann Goldfarb, but admits that said defendant has obtained containers and dispensers of the construction as illustrated by the drawings only in Exhibit A hereof, and has distributed and/or sold and/or leased said containers and dispensers to others, but not in infringement of said alleged letters patent.

XI.

Denying any infringing acts, admits that the acts complained of were without license or permission of plaintiff; denies that defendants threaten or intend to continue to use the alleged invention, but admits that they intend to continue to manufacture or cause to be manufactured, use, distribute and sell containers and dispensers as illustrated in the drawings only of Exhibit A. Denies that any or all of the defendants have received and/or derived or are receiving or deriving from any infringing acts large or any gains, profits and/or advantages, or that there are any gains, profits or advantages which belong of right to plaintiff, or which plaintiff would have derived and/or received excepting for any alleged infringing acts, and denies that any irreparable injury, loss or damage has been or will be caused the plaintiff, or that plaintiff has no clear, adequate and complete remedy at law.

XII.

For lack of information or belief sufficient to base an allegation, denies that since the granting of said alleged Letters Patent and the alleged assignments thereof, that plaintiff's licensees have complied with the provisions of section 4900 of the Revised Statutes of the United States by affixing upon the containers and dispensers purporting to be manufactured under said patent the words "Patented" together with the number of the patent.

FOR A SECOND FURTHER AND SEPARATE DEFENSE, defendant alleges that at the time of Henry Kermin's alleged discovery and alleged invention, the said alleged invention for which Letters Patent were issued No. 2,028,838 was not at that time new, but was on the con-

trary well known and had been patented by others before Kermin's alleged discovery or invention or more than two years prior to his said date of application and had been described in printed publications before said Kermin's alleged invention thereof, or for more than two years prior to his application for Letters Patent, and if there were any invention in the matters alleged to be patented by said Kermin, which is not admitted but denied, then said Kermin was not the original and/or first inventor of any material and/or substantial part of the thing patented, but on the contrary all such things had been priorly invented and described by others, all as shown by the following Letters of United States Patents wherein the names of the patentees and inventors, dates and numbers of patents are given, and as shown by other and further prior patents and other and further printed publications, specific knowledge of which defendant at the present time has not, but begs leave to plead by amendment to his answer—or by supplemental answer when discovered:

Name	Number	Date
Oliphant	1,075,268	Oct. 7, 1913
Weatherhead	1,161,557	Nov 23, 1915
Griffiths	1,004,019	Sep. 26, 1911
Cordley	1,260,335	Mar. 26, 1918
Coffin	1,723,229	Aug. 6, 1929
Cox	1,267,635	May 28, 1918
Jacobson et al.	1,787,785	Jan. 6, 1931
Ower et al	1,987,578	Jan. 8, 1935
Finney	2,067,523	Jan. 12, 1937
Heyndrickx	2,019,412	Oct. 29, 1935
Craig	965,875	Aug. 2, 1910
Scofield	1,810,734	June 16, 1931
Teague	1,601,006	Sep. 28, 1926

FOR A THIRD FURTHER AND SEPARATE DEFENSE, alleges that in view of the art prior to said Kermin's alleged invention as discovered and claimed in Letters patent 2,028,838, particularly the prior art set out in the preceeding special defense, there was no patentable invention in that for which said Kermin's said alleged patent was issued and for said reason also said patent is invalid for want of invention involving only the mere skill and adaptation of the ordinary mechanic skilled in the art; that each and all of the members, combinations and parts thereof were common, well known expedients in said art, and the said alleged invention did not in law or in fact require more than the ordinary skill of the mechanic in said art at said time to devise same.

WHEREFORE defendants pray that plaintiff take nothing by its action herein, and that they may go hence without day and recover their costs herein incurred and expended.

Robert I. Kronick Per C C M
Charles C. Montgomery
Attorneys for Defendants.

[Endorsed]: Filed Aug. 24, 1937. R. S. Zimmerman,
Clerk By Edmund L. Smith, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

In Equity No. 1184-M

STIPULATION AND ORDER TRANSFERRING
CASE FOR TRIAL.

IT IS STIPULATED by and between the parties to the above entitled action through their respective counsel, that the above entitled case may be transferred from the trial calendar of Hon. Paul J. McCormick to that of the Hon. George Cosgrave, said Hon. Paul L. McCormick having ordered same transferred subject to the approval of said Hon. George Cosgrave, for trial on March 29, 1938 with the case of National Unit Corporation, a corporation, plaintiff vs. Edward E. Bramlett, et al., In Equity No. 1183-C.

IT IS FURTHER STIPULATED that the two cases shall be consolidated for trial, and that in the event of an appeal there need be but one record on appeal.

Dated: March 25 1938.

John Flam

Attorney for Plaintiff.

Robert I. Kronick

Charles C. Montgomery

Attorneys for Defendants.

IT IS SO ORDERED:

Geo. Cosgrave

District Judge

[Endorsed]: Filed Mar. 29, 1938. R. S. Zimmerman,
Clerk By Francis E. Cross, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

In Equity No. 1184-M
STIPULATION.

IT IS STIPULATED by and between the parties to the above entitled action through their respective counsel:

That printed and photostatic copies of all United States Patents, including individual pages thereof, may be received in evidence with the same force and effect as original or certified copies of such patents; that the issue dates appearing on such United States patents be taken as their true issue dates; and that the dates of filing of applications as appearing on such United States patents be taken as their true filing dates; all, however, subject to comparison with originals in order to correct any inaccuracies appearing on such patents.

Dated: March 25 1938.

John Flam

Attorney for Plaintiff.

Robert I. Kronick

Charles C. Montgomery

Attorney for Defendants.

[Endorsed]: Filed Mar - 29, 1938. R. S. Zimmerman,
Clerk By Francis E. Cross, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

IN EQUITY NO. 1184-M
FINDINGS OF FACT AND CONCLUSIONS
OF LAW.

The above entitled cause having been tried on March 29 and 30, 1938, after due consideration the Court enters the following findings of fact and conclusions of law, pursuant to Equity Rule 70½.

FINDINGS OF FACT

1. Plaintiff, National Unit Corporation, is the lawful owner of the entire right, title and interest in and to U. S. Letters Patent No. 2,028,838, granted January 28, 1936, in the name of Henry Kermin, together with all rights of action for past infringement thereof;

2. Defendants, Julius Goldfarb and Meyer Goldfarb, constitute a co-partnership, doing business under the firm name and style of Food Craft Products Company, and have their place of business in the City of Los Angeles, County of Los Angeles, and State of California;

3. Within six years last past and in the Southern District of California, said defendants, Julius Goldfarb and Meyer Goldfarb, constituting said co-partnership, were engaged and are engaged in the manufacture and supplying for use, apparatus exemplified by Plaintiff's Exhibit 7, said apparatus including a stand, a container supported

on the stand, a feeding device connected to the container, and a restraining means cooperating with the feeding device, said apparatus corresponding to the combination set forth in Claims 2 and 3 of said Letters Patent.

4. Mayonnaise Dispensing Apparatus, including the container, the stand, the feeding device and restraining means, exemplified by Plaintiff's Exhibit 7, have been furnished by said defendants, Julius Goldfarb and Meyer Goldfarb, constituting said co-partnership, to defendant V. R. James and to defendants E. G. Heiden;

5. Defendants V. R. James and E. G. Heiden have obtained apparatus, exemplified by Plaintiff's Exhibit 7, from Julius Goldfarb and Meyer Goldfarb, constituting said co-partnership, and have supplied for use such apparatus exemplified by Plaintiff's Exhibit 7, in the Southern District of California, and within six years last past.

6. All of the defendants herein are charged with notice prior to the commencement of this action, of the issuance of the said Letters Patent in suit.

7. Claims 2 and 3 of Letters Patent No. 2,028,838, issued January 28, 1936 to H. Kermin, define invention over all of the alleged prior art introduced herein.

CONCLUSIONS OF LAW

1. Claims 2 and 3 of patent No. 2,028,838, issued January 28, 1936 to H. Kermin, are good and valid in law;

2. Defendants Julius Goldfarb, Meyer Goldfarb, V. R. James and E. G. Heiden have infringed and are infringing claims 2 and 3 of said Letters Patent No. 2,028,838 by utilizing and distributing for use apparatus exemplified by Plaintiff's Exhibit 7.

3. Plaintiff is entitled to an injunction and an accounting as prayed for in the Bill of Complaint herein.

Geo. Cosgrave

United States District Judge

Approved as to form, as provided in Rule 44

Charles C. Montgomery

Robert I. Kronick

Attorneys for Defendants.

[Endorsed]: Filed May 10, 1938. R. S. Zimmerman,
Clerk By Francis E. Cross, Deputy Clerk.

IN THE DISTRICT COURT OF THE UNITED
STATES SOUTHERN DISTRICT OF CALI-
FORNIA, CENTRAL DIVISION

NATIONAL UNIT CORPO-)		
RATION, a corporation,))	
	)	IN EQUITY
Plaintiff, )	)	NO. 1184-M
)	
vs. )	)	INTERLOCUTORY
	)	DECREE
JULIUS GOLDFARB, et al,))	
)	
Defendants.))	

This cause came on to be heard on oral arguments at this term, and findings of fact and conclusions of law having been made by this Court, and the Court having given full consideration, it is ordered, adjudged and decreed as follows:

1. That the plaintiff, National Unit Corporation, is the owner of United States Letters Patent No. 2,028,838, and the inventions disclosed therein, and of all rights and privileges thereunder.

2. That claims 2 and 3 of said patent No. 2,028,838 are good and valid in law.

3. That the defendants Julius Goldfarb and Meyer Goldfarb have infringed claims 2 and 3 of said Letters Patent and have violated the rights of the Plaintiff thereunder by making, distributing, and supplying for use, apparatus as exemplified by Plaintiff's Exhibit 7.

4. That the defendants V. R. James and E. G. Heiden have infringed claims 2 and 3 of said Letters Patent and violated the rights of the Plaintiff thereunder by distributing and supplying for use, apparatus exemplified by Plaintiff's Exhibit 7.

5. That a writ of injunction issue out of and under the seal of this Court, directed to the defendants, Julius Goldfarb, Meyer Goldfarb, V. R. James and E. G. Heiden, perpetually enjoining and restraining the said defendants, their associates, attorneys, clerks, workmen, agents, employees and confederates, and each of them, from directly or indirectly manufacturing, distributing, or using or supplying for use, or selling, apparatus exemplified by Plaintiff's Exhibit 7 herein, or any apparatus embodying the invention claimed in claims 2 and 3, and from offering or advertising so to do, and from aiding or abetting or in any way contributing to the infringement of either of said claims of said patent.

6. That plaintiff recover from the defendants, Julius Goldfarb, Meyer Goldfarb, V. R. James and E. G. Heiden, the damages which plaintiff has suffered, and the profits which the said defendants have made by reason of their infringement of said Letters Patent, and that this cause be referred to David B. Head, Esquire, to take and report an account of such profits and damages, and that the defendants, their agents, clerks, employees and confederates are required to attend before said Master from time to time as he may direct, and to produce for him

all evidence necessary for the taking of such an account, and to submit to such oral examination as he may direct.

7. That the plaintiff recover from the defendants its costs and disbursements herein in the sum of \$55.73 and that plaintiff have execution therefor against the said defendants.

Dated this 10th day of May, 1938.

Geo. Cosgrave

United States District Judge

Approved as to form as provided under Rule 44

Charles C. Montgomery

Robert I. Kronick

Attorneys for Defendants

Decree entered and recorded May 10, 1938.

R. S. ZIMMERMAN,

Clerk

By Francis E. Cross,

Deputy Clerk.

[Endorsed]: Filed May 10, 1938. R. S. Zimmerman,
Clerk By Francis E. Cross, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

In Equity No. 1184-C

In Equity No. 1183-C

CONDENSED STATEMENT OF EVIDENCE.
CONSOLIDATED CASES.

“MR. FLAM: If your Honor please, there is a stipulation that counsel for the defendants asked me to enter into to consolidate another case involving the same patent, but against different defendants. The attorneys are the same on both sides. It is all right, so far as the issues are concerned. I think they are substantially the same. The only issues, as a matter of fact, relate to the validity and the infringement of the patent.

“THE COURT: Of course, it is agreeable to the court that both cases be tried together, naturally. That will be the order.

“MR. FLAM: Yes. There will be a common record in case of appeal; the court record will apply to both cases.

“MR. MONTGOMERY: Yes.”

I will begin the case, your Honor, by offering in evidence a copy of the patent in suit.

“THE CLERK: Plaintiff’s Exhibit No. 1.

[Book of Exhibits page 1]

THE COURT: That is the patent in both cases.

MR. FLAM: Yes, your honor. I have original assignments from the patentee to the present plaintiff. I would like to keep the original assignments, and I have photostats made of them.

MR. MONTGOMERY: I haven't any objection to the use of the photostats, inasmuch as the originals are here, but I would like to have them proved."

"THE COURT: The assignment naturally must be proved if it is denied. Does this purport to be made by the patentee?

MR. FLAM: One assignment is from the patentee to two persons jointly, Moe Newman and Jennie Newman, and the other assignment purports to be from Moe Newman and Jennie Newman to the plaintiff, in both cases."

"THE COURT: The assignment by the patentee is acknowledged, you say?

MR. FLAM: Yes; both of them have an acknowledgment before the Notary Public. I take it that is sufficient proof of authenticity of the signatures. I offer the two photostats of the assignments."

The first one is from Henry Kermin, patentee, to Moe Newman and Jennie Newman, executed March 14, 1936.

"THE CLERK: That will be Plaintiff's Exhibit No. 2.

[Book of Exhibits page 9]

MR. FLAM: And the other one is from Moe Newman and Jennie Newman to National Unit Corporation, a California corporation, dated March 18, 1937.

THE CLERK: Plaintiff's Exhibit No. 3."

[Book of Exhibits page 11]

(Testimony of Henry Kermin)

HENRY KERMIN,

on behalf of the plaintiff, testified:

I am 37. I reside in Los Angeles. I am production manager at the Kermin Food Products Company, the company of which I happen to be president as well.

The Kermin Food Products Company holds a license from the National Unit Corporation to use these machines in any way we see fit, within certain territories.

“Q I show you the original Plaintiff’s Exhibit No. 2. It that your signature at the bottom of that document? A. Yes; this is my signature. Q You signed that document about when? A Well, as it states here, the 14th day of March, 1936. Q Do you remember acknowledging it before a Notary Public? A I do.”

Q I show you the original of Plaintiff’s Exhibit No. 3 and ask you whether you recognize the handwriting of the subscribing party there? A I do. Q That is, of Moe Newman, and—And Jennie Newman.”

I am familiar with the handwriting, very much so.

I was present when this assignment was made. The Kermin Food Products Compa_ny has been in existence since March of 1936, I believe, or thereabouts.

In March, 1936, it was organized as the Dairy Food Products Company, and the name was changed some time later. There was no change in the set-up of the company, only the name change was made, which was done duly. The Kermin Food Products Company is a California corporation.

“Q And you say it is the same company as the Dairy Food Products Company, with a changed name? A. Yes.

(Testimony of Henry Kermin)

“Q I show you a paper which is entitled ‘License Agreement’ and I will ask you to identify it. It is from Moe Newman and Jennie Newman to Dairy Food Products Company. Do you know what that instrument is? A I do. It is the license by Moe Newman and Jennie Newman, owners of the patent, to the Dairy Food Products Company.”

The photostatic copy will be the exhibit by agreement.
Plaintiff’s Exhibit No. 4.

[Book of Exhibits page 13]

The Kermin Products Company implies that that company is manufacturing or in some manner dealing with food products. I have been engaged in the business of manufacturing or distributing foods, or the like, continuously since 1917.

Originally in the east, I was in the dairy business, wholesale and retail business, of selling milk, fresh milk, and kindred dairy products. In California I was employed in a similar capacity; that is, in the selling of food products, dairy products, such as milk, cream and the like, for about three or four years, and then I entered into the food products business in more or less of a general way, in which I sold some dairy products as well as other food products, among which was mayonnaise, and things of that nature. I became interested in the problem of manufacturing and selling mayonnaise about 1931.

Mayonnaise was a comparatively new product at that time, and I believe it was commercially started just about the time of the war, right after the war. Previous to that time any mayonnaise made I believe was made in the home, or probably in restaurants, something of that kind.

(Testimony of Henry Kermin)

But it was not until 1920 that it really was made into a commercial product. There was very little data available regarding formulas, and things of that nature. About the time I started to make mayonnaise, I then had to devise formulas of my own, and after a great deal of experimenting I was able to make a product that was passably good. Some time in 1931, I would say. I am the Henry Kermin who is the patentee of the patent in suit, No. 2,028,838, Plaintiff's Exhibit No. 1. I am familiar with the disclosure of that patent. I am familiar with the mayonnaise dispenser illustrated in that patent, very much so.

THE CLERK: That will be No. 5 for identification.

That is the mayonnaise dispenser invented by myself. Comparing it with the disclosure in the patent in suit, it is identical, with a few minor changes perhaps.

Exhibit No. 5 for identification is one of the embodiments of the Kermin Food Products dispensers that are distributed to the retail trade and distributors. There are three different parts to the dispenser. Each is made at a different place. The owner of the patent has it made at these different places. The Brock Glass Company makes the glass container. They are a concern situated in Santa Ana, California. The dispensing unit or extractor is made by the Paulis Company, on Washington Street in Los Angeles. The stand is made by the San Bernardino Sheet Metal Works, in San Bernardino. The owner of the patent contracts with these firms to manufacture the complete dispenser.

There is an arrangement regarding the royalties to be paid for the use of these machines.

(Testimony of Henry Kermin)

MR. FLAM: I would like to have this paper container marked for identification as Plaintiff's Exhibit—

THE CLERK: 6.

Plaintiff's Exhibit No. 6 for identification is the container which is used for the same purpose as this glass is in the distribution of mayonnaise. It is placed within the machine in this manner and is identically the same as this.

There are 2 types for certain purposes. Certain localities, the glass seems to be the best to use. Paper seems to be the best to use in other localities. For instance, places that are subject to a great deal of heat, such a place as Indio, and places of that nature, a paper container doesn't hold up as well, because it has a tendency to get too hot at times and the wax has a tendency to melt and allow it to soften.

Offer in evidence the dispenser, Plaintiff's Exhibit No. 5 for identification, also the paper dispenser, Plaintiff's Exhibit No. 6 for identification.

THE CLERK: 5 and 6 in evidence.

When I first began the manufacture of mayonnaise in 1931 there was a considerable sale of bulk mayonnaise at that time.

Bulk mayonnaise was dispensed in large five-gallon containers, usually in earthenware crocks. It had a large opening, which was covered sometimes by a loose-fitting lid or paper, or something of that nature. It was not thoroughly sealed, and air would get to it and oxidize

(Testimony of Henry Kermin)

the mayonnaise; that is, change the mayonnaise back to its original state, by way of oil, which air has a tendency to do to mayonnaise.

Mayonnaise is composed of oil, which is the chief ingredient, and eggs, and a certain amount of moisture which is introduced by way of vinegar, or the like. It might be water; it might be vinegar. The substance is beaten together, and forms an emulsion. The introduction of egg into the manufacture of mayonnaise is for the purpose of binding the moisture with the oil and prevent breaking down. In other words, if we take oil and water and combine the two in the same manner it is an emulsion, but the emulsion would not stand and it would go back into its original form in a comparatively short length of time, whereas mayonnaise stays together in an emulsified form for long periods of time by the fact that the egg forms this binder which holds the parts together.

Mayonnaise was distributed in bulk prior to this invention.

It seems that the greatest proportion of mayonnaise was sold in these open containers; that is, bulk mayonnaise. In an open container the mayonnaise has a tendency to go back into oil and other ingredients. That would spoil the mayonnaise. Therefore, preventing access of the air has a tendency to preserve the mayonnaise.

I conceived the idea that to overcome the tendency of oxidation, that is, the tendency of the air to get to the mayonnaise, and also to get around any chance of contamination through things falling into this large open crock, and the fact that they had to dispense mayonnaise in those days by using a spoon, which might have been

(Testimony of Henry Kermin)

left lying around almost anywhere, and dust, or anything that might fly into it would cause the mayonnaise to become contaminated, it occurred to me we could have a package which was large enough to be called bulk, and sealed entirely, and that would be a big step in the right direction in marketing the product. Shortly after the time I conceived this idea there was quite a movement on by the health authorities, in which they condemned the use of the open crock; although there was no law against it, still the department, particularly in Los Angeles—most of the State Health Department in particular, was against the practice of using open earthenware crocks for dispensing mayonnaise, which bore out my idea that it was a good thing to get away from. I cast about for a proper method to do it. That is, there were different kinds of containers a person could use, but I was up against the problem, if you used the ordinary container, it would have a shoulder, and it would prevent the mayonnaise from coming out entirely, which was, of course, a very important thing in selling with merchants at stores, because when you sold them a container of mayonnaise they expected to extract all the mayonnaise out of it. If you don't, there is a loss. I conceived of the idea of having a cone-shaped affair, because it doesn't have any shoulder to obstruct the ordinary passage. It also lends itself conveniently to a very small opening which could be handled with the least amount of exposure to the air, thus getting around the problem of oxidation, and the fact that it was practically impossible for any outside contamination, such as dust and outside things to fall into the mayonnaise. When this is delivered to the store there is a small three-inch cap that covers it, sealing it entirely.

(Testimony of Henry Kermin)

I was talking about this glass container part last.

This is the part I was speaking about; that has a metal cap which screws on the top and seals it entirely. After bringing this to a store there was the problem then of withdrawing the mayonnaise from the jar. Mayonnaise has a tendency to cling; it is a natural tendency for the product to do so. It is not like water, which has its own capillary attraction, which draws itself out, but mayonnaise has a tendency to spread out, like oil, and that clings to the glass to a great extent, which means that it will not flow very readily. In that case, if anyone tried to withdraw mayonnaise out of a jar, he would have to use some means of drawing it out, push it, or something of the nature to get it out rapidly enough to fill the container in a hurry, and hand to the consumer, If this were filled up with mayonnaise it would hold up the flow of mayonnaise; it would be comparatively slow; and the only thing that would aid it was a certain amount of weight, of gravity, which drew it out, but very slowly; not in the nature of water. The problem that presented itself was some means of extracting the mayonnaise. I could have used some other method, such as a stick to push it out, or some valve operated from the top or below, but different things presented themselves which did not seem to be the right thing to do; not practical. I made a number of experiments along that line, but they didn't work out well. I then conceived of the idea that if I would draw the mayonnaise out by suction and push it out through an opening, that would be the most practical way of getting the mayonnaise out of the jar. I made quite a number of experiments along that line. One of the original experiments involved a container with

(Testimony of Henry Kermin)

the part that extracts it all in one piece, but I found that involved a great many problems, such as manufacturing problems, and also involved a great deal of expense, because for each part you had to have an extractor. I got away from that by making the container itself and the part itself.

I thought perhaps I could use the dispenser portion, this portion, with this, all in one at first, but then I decided that it would involve too much expense to manufacture, and other problems in so far as I would have to have one of these with each container, but I got away from that by separating the two, making this a separate part, and this a separate part. So now, when I deliver a package like this, this is delivered without this. This is already retained by the store. This is merely a matter of exchanging these jars. In other words, for each unit dispenser you can have a great many packages, and naturally reduce the expense. I then cast about for a suitable stand to place a cone-shaped device of this nature on, and I thought it would be best to have something that would be symmetrical, harmonious, with this type of container. I cast about quite a good deal. It had to be something that would be stable, and overcome the weight of the container which, when filled with mayonnaise, weighs from 24 to 32 pounds; in that neighborhood.

I felt the container had to have a base wide enough to overcome the center of gravity, because this sets up quite high in order to allow the package to be seated under it for the purpose of filling. It occurred to me that if I were to place one cone within another, with the apex of the upper cone extending within the stand, which was also conical-shaped, that that would have a tendency to

(Testimony of Henry Kermin)

give me a stable stand, and at the same time have a very harmonious design. I felt it would be very good to be able to use that particular design with a trade-mark. It was, to my notion, a sort of hour-glass arrangement, and it appeared to me to be quite distinctive. But after I got the upper cone set inside the lower cone, without the dispenser unit it would work all right. But when I attempted to put the dispenser unit over it it stuck out so I couldn't get past this restriction and naturally I had to cut a sort of an opening or channel to allow the dispenser unit to go through.

After cutting this, after allowing *co* come through, the only means of support was on top, and it had a tendency, when operating this dispenser, to sort of wobble, and it made it rather hard to extract the mayonnaise, because it wasn't quite firm enough. It would move in a horizontal direction.

Then when I conceived the idea of using a restraining means the entire thing couldn't move. When this is set in that way, if it had no means of holding that to prevent it from moving, you would have to exert a certain amount of force in extracting this mayonnaise. The pull would be here, when this was set here, and it would have a tendency to move the entire jar.

BY THE COURT: You mean when you work the lever it has a tendency to move the entire jar?

A Yes, if you had no means of restraining it at that point. I had to devise a means of restraining it at that point which, in this case, is this means here.

To this apparatus with the hole, with the slot. The slot engages with this, and it can't move in this direction.

(Testimony of Henry Kermin)

You can go up, but you can't go sideways in a horizontal direction. That gives rigidity to the apparatus.

Such an arrangement for withdrawing the mayonnaise, when it is worked it has a tendency to disturb the entire structure. Therefore we have that little arrangement. I would call it a restraining device.

I found, when I first presented this to the stores, to the merchants at the stores, that they received it as a boom to the business. As a matter of fact, they congratulated me on getting the bulk mayonnaise out of a distasteful condition. They always used to dig into that crock with a spoon, and mayonnaise would come up on the spoon and get all over the hands and they had to wipe their hands before waiting on the customer, and all that sort of thing. This eliminated any possibility of the mayonnaise ever getting onto their hands, and made a clean, sanitary method of handling a product of that nature, because before it was made it would have a tendency to spread all over everything.

There was another thing that this did over the old method in that they use to keep these crocks of mayonnaise usually under a counter, because it was bulky and unattractive, and it seemed to be the best place to keep it. Naturally, the consumer couldn't see the mayonnaise, and they only bought when they wanted it. By this means, having a good-looking stand, one that was harmonious, brought the device with the merchandise or mayonnaise right before the public, and these things were almost invariably placed in the most prominent place in the market, which immediately increased the possibilities of selling mayonnaise. That is one of the points that I intended to achieve by that particular design. Also the

(Testimony of Henry Kermin)

fact that I chromium-plated the stand, and tried to make it as attractive as possible, where we would be able to put it out where the consumer would see it. In that way we were able to get it almost into any market we desired to, without any sales resistance whatever, and being in the selling business that is a very, very important thing. I believe I have pretty nearly covered those points.

The gravity feed alone is not sufficient to discharge mayonnaise from an opening such as in that jar. There must be a certain amount of force used.

“MR. FLAM: I would like to have the clerk mark this dispenser, which we allege is the dispenser marketed by the defendant, as Plaintiff’s Exhibit No. 7 for identification.

THE CLERK: Plaintiff’s Exhibit 7 for identification.

MR. FLAM: I would like to ask Judge Montgomery to stipulate further that the Food Crafts Products Company is the manufacturer of this dispenser, and that defendants James and Heiden, in case No. 1184 obtained dispensers such as Plaintiff’s Exhibit No. 7 for identification from Food Crafts Products for distribution to the ultimate dispensers of mayonnaise.

MR. MONTGOMERY: I will so stipulate, with the understanding, of course, that the Food Crafts Products Company is Julius Goldfarb and Meyer Goldfarb, a co-partnership.

MR. FLAM: And with respect to case 1183 I would like to have a stipulation to the same effect, with relation to the B & H Food Products Co.; that the members of that partnership obtained from the Food Crafts Products

(Testimony of Henry Kermin)

Company dispensers such as exemplified by Plaintiff's Exhibit 7 for identification, for use in their business, particularly for the distribution to grocers, delicatessen stores and so forth.

MR. MONTGOMERY: We so stipulate.

MR. FLAM: I offer this dispenser then in evidence as Plaintiff's Exhibit No. 7.

THE CLERK: Plaintiff's Exhibit No. 7 in evidence.

MR. FLAM: In order to save confusion I suggest that we mark the black feeder device or dispenser as Plaintiff's Exhibit No. 7-A, and the jar as Plaintiff's Exhibit No. 7-B, and the stand Plaintiff's Exhibit 7-C. While I am about it, I would like to make the same numbering or terminology for these three parts of Plaintiff's Exhibit No. 5.

Q Mr. Kermin, you have now before you the three parts of Plaintiff's Exhibit No. 7. I will ask you whether you have examined this exhibit. A I have.

Both stands of Exhibits 5 and 7 have the wide bottom, with restricted top; both have this outwardly upwardly flaring lip. They both have a vertical opening for the purpose of admitting the dispensing device; they both have a restraining means within the stand. This flange on the back of their device engages this channel in this restraining device, preventing it from moving in a horizontal direction, which is achieved by us in the same manner by engaging with our slot here in the bottom, only in ours it is placed in this position, and theirs is placed on the back. The container itself is identical. It is not identical, but it is of the same structure, having a threaded portion which engages with the dispensing device, the dispensing device being attached in the same manner as our

(Testimony of Henry Kermin)

dispensing device, for the purpose of inverting the entire container, and all, within the stand, exactly as ours is done through the extension going through the opening exactly as ours does, so as to get around the restricted portion of the upper part of the stand.

Plaintiff's Exhibit No. 5, the stand portion of it, has an enlarged bottom and a restricted top. That is exactly true of the stand in Plaintiff's Exhibit No. 7. In this stand, Plaintiff's Exhibit No. 5, there is a substantially vertical opening which is used for permitting the passage of the dispenser through to the container. There is such a vertical opening in Plaintiff's Exhibit No. 7. It is covered by a shield here, but it nevertheless is an opening, or the dispenser couldn't go through it.

The feeding device or the dispenser shown in both of these exhibits 7 and 5 are both detachable from the container. I pointed out to the court in both Exhibits 5 and 7 that there was a restraining means to steady the container in the operation of extracting mayonnaise from the jar. They are common to both devices.

The particular purpose of this top band on the stand in both devices was put on to form a more stable support for the jar. It stabilizes the jar.

The first one we put out was on March 1st, of 1935. I remember the location because it was the very first one, and it was quite an occasion for us. From that time on we rapidly distributed 500 more to some of the choicest markets in Los Angeles and San Bernardino Counties; also in Riverside County. Over a period of four months we distributed these 500.

There were about 200 more placed up to about February of 1936, and then another 200 were placed between

(Testimony of Henry Kermin)

that time and about April of 1936,—none from that time until the present. There were practically none placed in 1937 of new containers. I say “we placed them,” I mean the Kermin Food Products.

The competition became rather keen, and most of the best spots were taken up, those that could sell quite a bit of bulk mayonnaise, to where it became rather difficult to find any new placements. At that time the capacity of the territory here would run to a considerable amount, still we were not the only ones then in the field, and our competitive dispenser, which was this one here, had taken a great many of the places. I mean Plaintiff's Exhibit No. 7.

After we placed these 900 as exemplified by Plaintiff's Exhibit No. 5 we had returns of them. We commenced to get quite a number back, particularly during the latter part of 1936 and 1937. They were almost in every instance displaced by Food Crafts dispensers, such as Plaintiff's Exhibit No. 7A, 7B, 7C.

I am acquainted with Edward E. Bramlett, Charles R. Bramlett, Gordon P. Hatcher, and E. Dana Brooks, who form the copartnership of the B & H Food Products Co. one of the defendants. All four of those mentioned were employed by me, or the corporation of which I was president, the Kermin Company, Inc., for a period of approximately five years—until October 1936. Thereafter they went into business for themselves, directly as competitors for Kermin.

Edward Bramlett was employed by the Kermin Company, Inc. as the plant foreman. He had charge of the manufacture of mayonnaise and other products which we

(Testimony of Henry Kermin)

were manufacturing. Gordon Hatcher was our mayonnaise maker. He actually made the mayonnaise itself under Edward Bramlett's supervision. Charles Bramlett was our mayonnaise salesman, and Dana Brooks was also our mayonnaise salesman. They had every opportunity of seeing what we were doing in connection with such dispensers and containers as Plaintiff's Exhibit 5, because the models from time to time were observed by them, and also Edward Bramlett was one of the first with whom I had discussed a dispenser of this nature. That was when I originally thought of the idea, back early in 1932, and in fact when I originally had this patent, Edward Bramlett signed as a witness to the fact that he had been one of the first in whom I had confided, which I believe is a matter of rule in presenting a patent for consideration.

Devices such as Plaintiff's Exhibit No. 5 were made with the patent number. Everytime they went out, they had a mark welded right onto the stand saying that patent was applied for, and after the patent number was issued, we then had plates put on those that came out later with the patent number on. Also, right in the mold, where these dispensers are made, we had "Patent applied for" right in the mold itself. Also on the container we had it printed on. This is a later one, this bears the patent number. I am referring to Plaintiff's Exhibit No. 6, as bearing the actual patent number.

The Food Craft Company was informed by letter of the issuance of the patent. I think it was either in 1936 or it may have been '37. I believe it was 1937. This letter is dated some time in March, 1936, and Judge Montgomery is willing to stipulate that it was received by Food Craft on or about that date, isn't that right?

(Testimony of Henry Kermin)

MR. MONTGOMERY: I notice this is not a carbon copy. I am not sure about it. Maybe we had better ask the witness.

Q BY MR. FLAM: I will show you this document, and ask you if you know what it is. A I remember this.

The letter is dated March 30, 1936. That refreshes my memory as to the time when notice was given.

MR. FLAM: I offer that copy in evidence.

THE CLERK: Plaintiff's Exhibit No. 8.

[Book of Exhibits page 15]

CROSS EXAMINATION

The Kermin Food Products was incorporated, I believe it was March 1, 1936. It was originally incorporated under Dairy Food Products Company. The original officers were M. S. Newman, B. L. Kermin, William Kermin, and I believe there were two others, I think. No, those were all the officers, as nearly as I can remember.

Q BY MR. MONTGOMERY: You organized in San Bernardino, under the title of Dairy Foods Products Company?

A I was not part of the Kermin Food Products at that time.

A The Dairy Food Products and the Kermin Food Products were the same thing. Merely a change of name.

We made the change by applying to the Corporation Commissioner at Sacramento for permission to do so, which was done in a formal manner.

Q I show you this license agreement, plaintiff's Exhibit No. 4. Is this the only license agreement you have?

A This is the only one that the Kermin Food Products Company has from the National Unit Corporation.

(Testimony of Henry Kermin)

Q This license agreement is signed by Moe—what is that name? Newman?

A Moe Newman, that's right.

Q Moe Newman, he is your brother-in-law, isn't he?

A It so happens, that he is, yes.

Q The other assignor is your sister?

A That is true.

The license agreement is dated the 5th day of March, 1936.

Q And the assignment is dated nine days later, isn't it?

A Yes; that is true.

Q In other words, the Newmans had no assignment at the time they made the license agreement?

A It was assigned to them verbally, before this thing was made up.

MR. MONTGOMERY: I move to strike the answer.

THE COURT: The answer will be stricken.

The National Unit Corporation has as its officers Henry Kermin, myself, as president, Moe S. Newman, treasurer, B. L. Kermin, secretary, William Kermin, vice-president.

Q And those are the same parties that are in the Kermin Food Products Company.

A They are now, yes.

The National Unit Company was organized early in 1937, I believe.

Q What was the first idea you had, the container, the pump, or the stand, or all together or what?

A The first idea was the container. A conical-shaped container that could be sealed on one end, and also be re-filled on one end if necessary. That particular package wasn't my first idea. There have been many improve-

(Testimony of Henry Kermin)

ments made on that since its conception. Do you mean the container, something like that?

Q Yes. This is Exhibit No. 6. A It was sealed on the top. Then it was to be open at the bottom for re-filling. The idea of a glass container came to me just about the time when I was making this. The first time I used a glass container was in the early part of 1937 I believe.

I didn't use it before because I thought that this composition container would be a better container, that is, like Exhibit No. 6, for most purposes. I still think it would be better. I believe I explained before that in certain localities the glass was better, but for general purposes this is better for the reason that it has a tendency to be more sanitary, for one thing, and gets around the cost of shipping. Glass is a great deal of dead weight. I believe a glass container which would hold that properly would weigh in the neighborhood of 10 to 12 pounds, which increases the cost of shipping, whereas the paper container only weighs about a pound or a pound and a quarter, which would be a distinct advantage.

Q You wouldn't want to support your weight on the containers, would you? A Oh, yes; that is the way we do support it. This part here is merely to prevent it from moving in a horizontal direction. That doesn't carry weight. That is not supposed to carry any weight.

Q As a matter of fact, it carries all the weight, doesn't it?

A It could, yes.

MR. FLAM: Let me get it clear. It does in the set-up you made there. Is that what you mean, Judge Montgomery?

(Testimony of Henry Kermin)

MR. MONTGOMERY: No; I mean in the completed device, the entire weight of the thing is carried on the stand?

MR. FLAM: I don't know if the witness understood that or not.

THE COURT: Let the witness answer. If he wants to make any explanation he may make whatever observation or explanation he wishes.

This device carries the weight of this package, as you have it here now. That is not the rest, so-called in the patent. The rest is as you see it in there. The rest is attached to the container. The base. This is the rest right here; not the rest. We have no rest. This is a restraining device. We have no rest.

Q You have no rest? A No.

Q Will you read me that portion of the patent which deals with this particular part of the device. A "As shown more particularly in Figs 1 to 3, inclusively, the entire apparatus comprises a conical stand 1 provided with a vertically extending opening 2 and a horizontal rest spaced from the bottom of the stand 1." Q Where is the rest? A. We don't claim any rest in ours. Q Where is the rest that is referred to there? A We have no rest. Q You have no rest? A No.

MR. MONTGOMERY: Will your Honor look at that yourself, and see what the description is on 13: "The rest may include a trough-like member 3 supported by means of horizontal braces 4." Where are your braces? Where are your horizontal braces? Can you point them out? A No; I can't point out the braces.

Q All right. Let us take claim 1. Let me read it for you and you can follow: "I claim: 1. An apparatus

(Testimony of Henry Kermin)

for containing and discharging mayonnaise and the like, comprising: a stand having an enlarged bottom and a restricted top and provided with a substantially vertical opening in the wall thereof, and a horizontal rest spaced from the bottom of the stand." Where is the horizontal rest?

A It evidently refers to this device here as a rest, but it doesn't give that as anything but a name, called a rest.

Q When did you get the idea of that rest that we are speaking of? When I found that in trying to extract the mayonnaise from the container the container would move because you have to exert a considerable amount of force in order to extract the mayonnaise with the dispenser.

When we operated the pump we found it wobbled. Q What did it rest on when it wobbled? A It rested on the edge of the stand.

The stand is practically like it is to-day. It differed in that it did not have this piece described here as the rest. That is about all I can think of.

Q Let us take this device. That hasn't the rest in it. Is that what you put it on? A No; it had a horizontal piece across here, holding it together. When we put it in there we found it wobbled.

Q As a matter of fact, if you put the mayonnaise in there it would just go right through, wouldn't it? A I don't think it would. That is why I had this piece across here. Q Wouldn't the weight be sufficient to push it through? A You have got to use considerable force to do that, but still you are assuming I did not have this support across the front, which I did have. Q Where

(Testimony of Henry Kernin)

did it run? A From this point to this point. The restraining means I had was attached to that merely as a convenience. Q You had no restraining means at that time? A I had a piece across here, supporting this.

I am talking of a time before the issuance of the patent. I had never seen a support like that before. I don't ever recall anything quite like this three-legged device here, outside of this one. The entire weight of the container is carried by the top of the stand and the restraining means down here carries none of the weight.

Q That is your testimony? A It is not designed for that.

Q Will you show us in your patent where it is that the entire weight is carried by the top of the stand? A "said conical container being supported and stabilized by the top of said stand at a point between the top and base of said container."

THE COURT: Being what?

A Being supported at the top of the point between the top and bottom of said container. That is in claim 1.

Q Did you ever go around the Goldfarb's place of business in 1935, 1936? A I believe I was there early in 1935.

I don't believe I went into the mayonnaise part of the plant. I never saw how they dispensed their mayonnaise there. I was connected with a mayonnaise manufacturing plant. In my own plant I went in there and saw how they did this. We distributed mayonnaise in half-pints and pints at one time. We used glass tumblers. We filled them with an automatic device. Not a pump, a gadget with valves and things of that kind. The con-

(Testimony of Henry Kermin)

tainer used was a hopper. That hopper was an inverted cone, something of that nature, like many hoppers are. We used something similar. The hopper was fastened to the dispensing machine. It was an automatic machine supported right on the machine itself with an opening for the mayonnaise to come down through.

MR. MONTGOMERY: May we mark this for identification defendants' exhibit.

THE CLERK: A.

Q BY MR. MONTGOMERY: When you were down at Goldfarb's did you see this? A I don't recall seeing that.

I have seen something similar to it. I believe Young's Market Company has one. They used it to fill gallon jars with Mayonnaise. I just evolved the idea of the pump. Invented the idea.

Q Did you invent the idea of having that double back to it? A What double back? Q The plunger that comes through? A We used no double back. Q Then you don't use the same kind of a pump that we do? A Well, I wouldn't make comparisons of the pump. I believe it is different.

Outwardly there isn't very much difference, but the plunger or piston that we use is decidedly different than that apparatus there.

Q What kind of materials did you use for your dispensing device, your pump? Referring now to Plaintiff's Exhibit 5-B, referring to this black portion. A I believe that is a form of bakelite. Q This shown here is bakelite? A Some form of bakelite.

Q BY MR. MONTGOMERY: What kind of material did you use in your original pump, the first one

(Testimony of Henry Kermin)

you got out? A A form of bakelite. I think they called it plastin. A form of bakelite; a resin substance of some kind. I don't know what the composition is. This is one of our pumps. This is the material we first used.

Q When did you switch over to bakelite? A We didn't switch over to bakelite. That is bakelite, so far as I know. Q When did you switch to the black material? A We never switched. That is the first one used. It was black, and we rejected it because the original ones had an odor of carbolic acid, until it was improved.

MR. MONTGOMERY: May we have this marked Exhibit B for identification?

THE CLERK: B for identification.

I see practically no differences between the plaintiffs' and the defendants' device. There is a difference in the composition of the material that he has used for the holder in this case, but not in the one I had a little while ago. The glass is heavier than paper. The glass is more solid than paper. They are both supported the same way. As nearly as I can see, identical. They are both supported by the upper part of the stand, so far as I can see.

Q Do you think that the stand, if it was open all the way up would support that glass?

A I know definitely that it would with this across here.

Q Let us take a stand that is opened all the way up, like yours. This is one of yours, isn't it? A Yes.

A Yes; there is a support that goes across to hold that. You can bend metal any way you want, but to support your product, the strip across here is the only thing to support it.

(Testimony of Henry Kermin)

Q I am asking you if you take this rest out—this is a duplicate, after one of these regular holders—if that would hold.

A It is very evident that it wouldn't.

Q It would go right on through. But the minute you put that closure up here it does support it at the top, doesn't it? Will you answer the question?

A This is not necessary to hold the thing on top. You can take it off and still support it on top.

Q Will you repeat the question, Mr. Reporter?

(Question read by the reporter.)

Q Mr. Kermin, please answer the question.

A What supports what? This piece or the top?

Q You don't know what my question means?

A I can't quite understand it. You see the minute you put this thing here it supports it.

Q All right. You have a closure. The stand is closed at the top, isn't it, by this channel extending out?

A Yes; that closes that opening or channel.

Q Where? The channel makes the top complete around. All the way around the top. The top of the stand is what supports the glass container, isn't it?

A No; that isn't what supports the container, at the top.

Q What does?

A The same if you removed this, it will still support it.

Q What does?

A The top of the stand supports the container.

Q How, you have answered both ways. Which one are we to take?

A I believe I have only answered it one way.

Q May we read back, your Honor, and get his answer to the prior question?

(Testimony of Henry Kermin)

THE COURT: Yes.

(Record read by the reporter)

MR. MONTGOMERY: Let me reframe it so that we will get no confusion here. What is it in the defendants' device that supports the weight of the container.

A The top of the stand supports the container.

Q And if you remove the channel there in front would it support the weight of the container?

A It would.

Q How?

A Just as you see it; if you remove this it will still be supported.

Q I did remove it a moment ago. Let us remove it again, and see if it supports the weight. Do you think that top will support the weight. Do you think that top will support that weight when you fill that with mayonnaise?

A Part of this structure is gone, which would make it—

Q No; I am asking you—

MR. FLAM: I object to interrupting the witness this way. In the first place, only a portion of the apparatus is before him.

THE COURT: The witness says a portion of the structure is gone.

MR. MONTGOMERY: That was not the question I put to him.

THE COURT: Very well. Begin there. He has to a certain extent answered the question.

(Testimony of Henry Kermin)

Q BY MR. MONTGOMERY: In other words, you have got to put something else there, haven't you, to hold these things together?

A You assume this is the same as the other in its present condition?

Q I am making no assumptions at all, except this is illustrative of your stand, without the channel closing the top.

MR. FLAM: Your Honor, I must insist that this witness be interrogated properly. I think the witness has a right to explain in what respect these alleged—

THE COURT: Yes, he has a right to explain all he wants, but he hasn't evinced a desire to explain anything so far as I can see.

A In the first place there are cups gone from here, which would in this case perhaps have a tendency to strengthen the material. This material here is light, and can be made to bend, and I don't know but what it has been made to bend before it was put in here.

That it has been bent. There is no way of knowing, but you will notice this opening isn't as wide as this opening. Something evidently has been done to this. Naturally the proportions here are such that it allows the glass to come through, especially if it is put in a certain way to make it come out that way.

Q Let me ask you this: let us take this which, inasmuch as you have slurred it as not being a correct representation of your own—and if you take out this inner rest, or support, or whatever you want to call it—I don't care what name you give to it—would there be any support for the weight of the container?

A If we took out the rest—which part of this is the rest?

(Testimony of Henry Kermin)

Q I refer you to your patent to show you where your rest is. I am only using the language of the patent. That is your patent, isn't it?

A That is all right, but I don't know what interpretation to give it.

Q Isn't that your language?

A It is a long time ago, and I can't recall the thing exactly word for word, but here is the thing: You use a word here you call a rest.

Q I use the word of the patent. What did you mean when you said "rest"?

A I said before we had no rest.

Q Is your patent wrong?

A The patent isn't wrong. It doesn't show it in the claims. We claim a restraining device, and not a rest. That is what we were given the patent for.

THE COURT: What kind of a device?

A. A restraining device; it merely prevents movement.

Claim 2: 'An apparatus for storing and discharging mayonnaise and the like, comprising: a stand having an enlarged bottom and a restricted top, a substantially vertical opening in the wall of said stand, a container provided with an enlarged base and a restricted top portion having an opening therein, a feeding device removably attached to the top of said container, and a restraining means within said stand adapted to engage with said feeding device when said container and feeding device attached thereto is introduced in inverted position into the stand through said restricted top and vertical wall opening, said container being stabilized by the top of said stand at a point between the top and base of said container.' It says nothing about a rest down there.

(Testimony of Henry Kermin)

The upper portion of the stand stabilizes the defendants' structure. It keeps it in a stable position, so it won't move. It keeps it from rocking or wobbling as far as it is possible.

Q What is this little thing in back here for?

A As used there I would say a restraining means. Restraining the apparatus or the dispenser and container from moving. It was to keep it from wobbling—from moving in a horizontal position.

Q Which is the thing that keeps it from wobbling?

A This guard in back.

Q The device in the back end of it, or up at the top?

A The top supports it; the restraining device keeps it from wobbling; if that is the interpretation you are looking for, that is the way to interpret it.

Q At the time you started to work on your device covered by the patent, there had been a requirement made, had there not, by the authorities that there be closed containers to distribute the mayonnaise?

A No, there had not.

Q When did you start to work in making such a container?

A Sometime in 1932.

I commenced to experiment with different containers and things of that kind. It could be one of a thousand different containers; square containers, round containers, oblong containers.

Q There are a number of different kinds then? Were there any other dispensers that you saw at the time that you devised the present container and stand?

A Nothing like this one.

(Testimony of Henry Kernin)

Q That isn't what I asked you. Would you read him the question?

(Question read by the reporter.)

A Not that I recall.

Q BY MR. MONTGOMERY: Did you attend any meetings of the mayonnaise people? A. I did.

I belong to an association. They discussed there various and sundry means to handle the situation. There was some discussison, but I held no discussion about that.

Q But you used to go in and talk to Goldfarb about it, didn't you?

A No, I never did. I would like to add that Goldfarb talked to me about it, but I evaded the question every time he asked me about it.

About this time the health department had sort of put an embargo on these open containers. There was an association formed by myself; I was the instigator of the formation of this association, to get the bulk mayonnaise manufacturers together to resist the attempt to put all bulk mayonnaise manufacturers out of business. After we formed this association someone put up a discussion relative to some sort of a dispenser which would meet every requirement. I, of course, took no part in the discussion. Everybody else talked about it; I kept quiet because I had a dispenser pretty well on the way, nearly ready to market. I never talked about such dispenser; I never got anybody's idea, because I was going to manufacture the thing; Mr. Goldfarb did say to me—I don't remember the words, but he implied he would like to have a dispenser, and asked me why I didn't make one for him and myself as well. I evaded the question as best I could at the time, and did not inform him I was

(Testimony of Henry Kermin)

working on a dispenser. He came up to visit my place of business one time, looked around the place, but he gained no information that I know of, and he was not offered any information.

I got the association together to protect the bulk mayonnaise manufacturers so they would not go out of business, and to regulate the prices of their merchandise.

Q When you got your stand, like I show you here, did you find any difficulty? Was there any problem about stiffening that up so as to hold the weight?

A Heavier material would make it very stiff.

Q I ask you if you found any difficulty?

A Not too much difficulty.

Q All you had to do was to put a support or brace across here to hold it solid, wasn't it?

A That would be a precaution.

Q So there wasn't any problem on that end?

A There wasn't any problem. We devised many different ways of doing that. We had other things to consider.

Q To take this method of attachment: You have seen lots of glass jars with similar contrivances, haven't you, where you can screw it on?

A Yes, there are lots of them on the market.

Q And they carry that sort of thing?

A Not a dispensing device, that I know of.

Q You think it was a problem to put a dispensing device on the thread of a glass container?

A It took me about six months to evolve the idea.

Q But you were dealing there with a paper container, weren't you?

A The paper container is just as rigid as the glass, for my purpose.

(Testimony of Henry Kermin)

Q Let me read you a portion of the patent on page 42 is preferably of parchmented paper or waterproofed board and is conical in form. The base of the container may be formed of a fiberboard disc 43." What is that? Is that this top? A Yes. Q "provided with a beveled edge, said disc being inserted into the base of the cone and stapled thereto as indicated at 44."

THE COURT: What do you do to it? MR. MONTGOMERY: Stapled—I suppose that there are little staples that are put in there. A originally there was.

Q "If desired, an insoluble adhesive may also be used. Great difficulty has been experienced in placing a cap upon the apex of the cone. It has been found, however, that a molded thin metal threaded cap, such as the cap 41, may be firmly attached to the apex 42 by first cementing a strip or strips around the apex end of the cone, as indicated at 45."

Wasn't your difficulty in getting your threaded portion onto the top?

A My first idea was to use metal, so I didn't run into any difficulty until the time that I decided that paper would be the better means.

Q And that is where your problem arose, toward the means to attach your pump to the container, wasn't it?

A No. Of course, that was a problem in itself, but when you see a finished package it looks pretty simple, but it takes an awful lot of thought to figure these things out.

Q You didn't use a glass container until after Goldfarb came on the market with his, did you?

A I first rejected it and then used it. I am rejecting it right now, and we are getting away from glass again.

(Testimony of Henry Kermin)

Q You didn't begin to use the black dispensing means, that is, the pump of this black material, until after you had seen his, did you?

A That was our first experiment, with the black, and we rejected it because of the odor of the material, and until they developed material and recommended it. Q But you used white? A Yes, but that would be better looking.

Q You use black now? A Yes.

Q When did you take it on? After Goldfarb, wasn't it? After Goldfarb showed you it could be used, then you adopted it? A. Yes, I am a copy cat, I guess.

REDIRECT EXAMINATION.

Q BY MR. FLAM: I think you were asked on cross examination regarding this device. I don't believe this has been offered in evidence. It shows a part of the stand.

MR. MONTGOMERY: May we mark that as Exhibit C?

THE CLERK: Defendants' Exhibit C for identification.

Q BY MR. FLAM: Defendants' Exhibit C for identification, comparing Defendants' Exhibit C for identification with the stand in Plaintiff's Exhibit 5, the so-called restraining means or rest corresponds to this wedge-shaped channel piece extending from the front to the back,—is that what I understood? A I think so.

Then this front bar across here, that is attached to the top of the legs which go inside of the container, that is to support the stand, to strengthen the stand so that we can use a very light metal.

Q If you remove just this part of the stand which runs from the front to the back, between that brace and

(Testimony of Henry Kermin)

the back of the container, would that in any way correspond to what is shown in Defendants' Exhibit C?

A It would somewhat correspond to it, but it would be incomplete. That is, Exhibit C is incomplete. Q In other words, this front brace is missing from here in Exhibit C, is that right? A Yes.

Q If you had that front brace in there, would you need that restraining means, which you call the restraint?

A You would not. Q To keep the jar from spreading the stand apart? A No. Incidentally, if this were made with heavier material it wouldn't need anything probably.

With that front brace added to Defendants' Exhibit C you would thereby prevent that stand from spreading when the container would be placed on it. This is merely a brace to prevent this from spreading. This is the restraining device which is merely attached there as a matter of convenience. There are different sizes of glass containers. They require different sized stands for them.

We designate the size of the jar, usually by gallons. That holds a little more than four gallons. I would say about four gallons and a pint. I am referring to Plaintiff's Exhibit No. 7. Plaintiff's Exhibit No. 6 is intended to hold 3 gallons. The stand designed for this paper container, Plaintiff's Exhibit No. 6, could be smaller than the stand designed for supporting the container in Plaintiff's Exhibit No. 7 and is.

Defendant's Exhibit C was intended to support a 3-gallon container, not a 4-gallon container. The apparatus that has been designated by the defendants' counsel as a pump and dispensing unit, shown as Plaintiff's Exhibit No. 5, this black thing, is made by S. Paulis Corporation,

(Testimony of Henry Kermin)

or S. Paulis, Inc. They first made these dispensers for the plaintiff in the latter part of 1934.

The first ones we experimented with were various colors, among which was black. We finally decided on the white, because we thought it would go better with mayonnaise, and black was rejected for the *for the* reason that it had a very bad odor at that time; they hadn't developed the bakelite for food products at that time. Since that time they have improved on it. My first idea was a lithographed can. That is, a can that you would have lithographed, with your ad on it, fully inclosed, with an opening at the bottom. Made out of sheet metal. Tin, it is commonly called. We have always thought of using glass but we rejected it for several reasons.

RECROSS EXAMINATION.

Q BY MR. MONTGOMERY: Mr. Kermin, let us be frank about this. To start with, this stand which is open from the top to bottom, it is obvious you need some means to strengthen it, isn't it? A Not necessarily. If you wanted to use it without the base here you could use it exactly as it is now, except that the metal could be a great deal heavier and by its own strength hold together in just the position you want it.

Q My question was: it is obvious that you would have to use some means to strengthen it, wouldn't you? A Do you mean this particular one? Q Yes. A That would need means to strengthen it over a period of time, but when it came out it held, and it has been knocked around for years, and goodness knows what has been done with it. You can see it is considerably out of line.

Q You can see what has been done with it when we put this glass container in it, it falls through. You

(Testimony of Henry Kermin)

can't take this stand and double it back, can you, and bring it together and fix it in the shape it should be? Do you think spreading it apart weakens it? A Naturally it does.

Q It is obvious if you had it in that present form you would have to strengthen it, wouldn't you? A I won't say that, no. I don't know what has been done with this stand.

Q Let me ask you this: Suppose you take your own stand that you brought in, and take out this crosspiece here, which incidentally is not a brace, because it doesn't attach, does it? A Oh, yes, it is attached.

Q Wait a minute until I finish my question. It doesn't attach to the wall of the stand, does it? A Yes, it does.

Q Where? A At this point.

Q That is not the brace? A That is the foot, that is the leg that goes down. Call it what you want to; I call it a brace.

Q You take your leg out, and there is no support for that brace at all, is there? A What do you call the leg, and what do you call the brace?

Q If you don't know I guess we may as well quit. That is all.

THE COURT: Let me have Exhibit No. 1.

Q I wish you would assemble the plaintiff's device. "This invention relates to a novel form of container capable of being destroyed after use." Evidently this patent contemplated the use of the fiber composition container, and not a glass container, is that correct?

A It was not contemplated exactly that way, your Honor, but we figures that since the fiberboard container had certain special features we would ask to have a patent with that.

(Testimony of Henry Kermin)

Q At any rate, in the beginning you thought that the fiber container or composition container would be the best? A Yes, sir. I still believe so.

Q "and to a dispensing means whereby the content of the container may be discharged in increments without subjecting the contents to the action of air or contamination from other sources." Does that term "increments" have any significance? Increments—do you mean of quantities? Is that what this means?

MR. MONTGOMERY: We can stipulate that means quantity, as your Honor has suggested.

THE COURT: A division?

MR. MONTGOMERY: A division or portion.

MR. FLAM: Yes, I think that is the intent.

Q BY THE COURT: "The invention is particularly directed toward a container and dispensing means whereby a relatively viscous fluid or emulsion such as mayonnaise, may be dispensed in a sanitary manner and all of the contents of the container removed therefrom without exposing such contents to contaminating influences.

"Heretofore, bulk materials, such as mayonnaise, have been dispensed from crocks or jars into which a utensil such as a spoon was dipped in order to withdraw the desired quantity. During such withdrawal, the contents of the container were exposed to the atmosphere, permitting various forms of impurities, dust, etc. to be deposited therein. Furthermore, it was extremely difficult, if not impossible, to remove all of the contents of such containers."

So far as your testimony is concerned, I do not recall that that particular feature has been stressed. What is

(Testimony of Henry Kernin)

there about the invention that enables you to remove all of the contents of the container?

A The sloping sides of the container. It slopes so sharply that the material must converge to the lowest point, and the type of the extractor or dispenser induces all of the material to come out.

Q What is there about the type of the dispenser that induces all of the contents to come out?

A There is a suction set up which draws mayonnaise out by actual suction. If there was no air allowed into the container—if there were not an airhole placed in it, by pulling enough of this out the sides of the container would collapse, showing air is being withdrawn by suction. In the paper container we punched just a pinhole beneath the top to allow air to come in; just the amount to displace the amount taken out. It is punctured clear up to the top, and in this position naturally the contents are away from here.

Q “The present invention, however, relates to a form of container which is destructible, thereby preventing its repeated use. Furthermore, during the dispensing operation, the mayonnaise is discharged from the container into the smaller package delivered to the ultimate consumer, but at no time is the bulk of the mayonnaise exposed to contaminating influences. Moreover, the dispensing unit is readily removable from the container for sterilization purposes.

“Those and other advantages will become apparent from the detailed description of the preferred form of container and dispensing apparatus described hereinafter. In such description, reference will be had to the appended drawings, in which:” You have described that from Fig. 1 down to Fig. 8.

(Testimony of Willard Crofut)

“It is to be remembered that in the transportation and handling of a product such as mayonnaise, the product needs to be handled with care and it is possible to cause separation of the ingredients constituting the product by undue agitation or the like. For this reason the dispensing apparatus has been particularly designed to permit the discharge of quantities of mayonnaise from a container without subjecting it to undue agitation or changes in pressure.” I should think that the shipment of the container would agitate it and cause those dangers.

A To some degree it would; in shipping over long distances mayonnaise has a tendency to commence to disintegrate, you might say.

After the container is set up, of course, it remains stationary, except as affected by the necessary force applied to extract the contents.

Q “As shown most particularly in Figs 1 to 3, inclusively, the entire apparatus comprises a conical stand.” What is the conical stand? That is your metal stand?

A Yes.

Q “provided with a vertically extending opening.”

A That is the opening.

Q “and a horizontal rest spaced from the bottom of the stand.” A It refers to this, this rest.

Q That entire structure is the rest, is it? A No sir. The piece across here is the rest, the one that is turned up this way.

Q Running horizontally, of course? A Yes.

Q And it is a single one of the units there? There are two, are there not? A No, there is just the one, which is the rest.

Q This piece I have my finger on, is that the rest? A No, this is intended to hold these parts together.

(Testimony of Henry Kermin)

Q "The rest may include a trough-like member 3 supported by means of horizontal braces 4 and 5." A Well, this is the only one that it is supported on.

Q Do you know what 5 is in your diagram? A I don't know.

Q "Preferably, the braces 4 and 5 are also attached to reinforcing legs 6 and 7 which may terminate at the bottom in vacuum grip or other antiskid supporting members 8. The legs 6 and 7 and the rest 3 are proportioned so as to place the feeder, generally indicated at 10, a sufficient height above the bottom of the support 1:" A I assume it must be this.

THE COURT: The vertical stand 1.

Q BY THE COURT: "A sufficient height above the bottom of the support 1 to permit the introduction of small containers into which the mayonnaise is to be discharged." That is plain enough.

A He refers here, to the stand being the support. That is figured as No. 1.

Q Beginning at line 30: "The feeder 10 comprises a cylindrical body portion provided with a bore 11" Which is the feeder? A This.

Q "The container 42"—that would be your composition container, would it not? A Yes the container.

Q "The container 42 is preferably of parchmented paper or waterproofed board and is conical in form. The base of the container may be formed of a fiberboard disc 43"—The base of the container as it is situated now, is the top of it, is it not? A That's right.

Q That means at the bottom where it is now? A Yes, at the small end of the cone.

(Testimony of Henry Kermin)

Q "Five gallon containers of this shape are readily handled. When it is desired to install the completed device in a store, the feeding device 10 is threadedly connected to the apex of the container 42 and the entire assembly then positioned within the stand 1. The rest 3 supports and locks the feeder 10 in position. A part of the weight of the container is supported by the upper end of the stand 1." Where is the rest of the weight supported? A The weight is not necessary to be supported anywhere else but at the top, although as an added precaution it might be supported at this point, but it is not necessary.

THE COURT: Where is the vertical wall opening mentioned in claim 2? A This is it. It is brought out in this position and inverted.

Q BY THE COURT: A restraining means. The restraining means are still at this position? A This is the restraining means here, which engages in that fashion.

Q "Said container being stabilized by the top of said stand." A It is stabilized here at the top of the stand.

Q That is what you mean, that you have your finger on? A This is the top of the stand, right here.

Q The slope of the container is the same as the slope of the metal? A Not necessarily. Q I should think in order to insure firmness you should have it so. A It does from this point upward. From this nearest point. Then it can continue up if necessary. That is the only place where it comes in contact.

(Testimony of Willard Crofut)

WILLARD CROFUT

on behalf of plaintiff, testified:

I am 37. I reside on Irwin Avenue and Lennox. I am Secretary of H. Paulis, Inc. Their offices and plant are located at 215 and 217 East Washington Boulevard, Los Angeles. Paulis and Company are manufacturers of various products from plastics, such as bakelite. I am familiar with this type of dispenser that is represented in Plaintiff's Exhibit No. 5, this black device. My company makes this, or has made this. We have made that for some time for the Kermin Company. The black dispenser unit, without the container.

I have had dealings with Mr. Goldfarb. Sometime about the first part of August of 1935 I had a telephone call—from I believe it is known as Food Craft Company, and a gentleman who identified himself as Mr. Goldfarb requesting, rather asking us if we made a dispenser for the Kermin Company. After informing him that we did he asked me if we would be interested in making a similar dispenser for him. I told him that I would prefer to discuss the matter in person, and a short time after, I should say within the next day or two days, Mr. Goldfarb came to our plant, to our office, and after a certain amount of discussion he gave us a check for \$50 in the form of a deposit for certain engineering work, and instructed us to design a dispenser similar to the Kermin dispenser.

MR. MONTGOMERY: Just a minute, your Honor, I think he is giving his conclusion. I would like the conversation.

THE COURT: Give the conversation, Mr. Crofut as nearly as you can.

(Testimony of Willard Crofut)

The early part of August, 1935, Mr. Goldfarb told me that for this \$50 deposit which he gave us he wanted us to design a dispenser similar to the Kermin dispenser, and with such improvements as we might be able to make as a result of the experience which we had had in building the Kermin dispenser. I told him that we would have to consider the matter, and after doing so with the other members of our firm it was decided that we would not go through with the matter, because of the fact that we knew that application had been made for patents on the Kermin dispenser, and that we did not want to involve ourselves in anything which might ultimately lead to patent litigation. As a result of that decision we, on the following day from the day we received the check wrote our own company check to the Food Craft Company, and returned it with a letter explaining that we did not care at the time to go ahead with the matter.

Q BY MR. FLAM: I show you what appears to be a carbon copy of a letter dated August 6, 1935 and ask you whether you know what it is?

A Yes sir. That is the letter I was talking about. It is dated August 6, 1935. It is a carbon copy of the original letter that was sent to the Food Craft Company.

MR. FLAM: I will offer the letter in evidence, your Honor.

THE COURT: Very well, let it be admitted.

THE CLERK: That will be Plaintiff's Exhibit No. 9.
[Book of Exhibits page 17]

CROSS EXAMINATION.

I don't know that this was the first dispenser that was made for Kermin, but I do know that we made all of the dispensers of this particular type for Kermin. This par-

(Testimony of Willard Crofut)

ticular dispenser marked B for identification, this white one. That material is plaskon. That is not bakelite.

Mr. Goldfarb did not furnish any sample dispenser.

Q BY MR. MONTGOMERY: May I see that letter a moment. The letter reads: "Therefore we are returning herewith the full amount of your deposit, namely, \$50 with the sample dispenser which you left with it."—does that refresh your recollection?

A Yes, sir.

Q All right. What was that sample?

A I don't know quite how to tell you what it was. It was a dispenser which was in no important way like the dispensers which were ultimately made for the Kermin Company and the Food Craft Company. It was a dispenser which had been in use apparently for some purpose prior to the time I talked with Mr. Goldfarb.

Q What did he tell you you were to do with that dispenser?

A He merely brought this dispenser down to show us. I couldn't say positively, but as I recall it, his idea was to show us the type of dispenser which he had at that particular time. However, it is so long ago that I wouldn't want to go on record as being very positive about that particular dispenser.

Q You don't remember whether it was a pump similar to this device which is Defendants' Exhibit F?

A I would say it was in no way similar to this one. I seem to recall that there was a pumping arrangement on the dispenser of the nature of a hand pump, or something of that kind.

It wasn't anything like this pump that we have here in general appearance. I wouldn't remember the internal workings. I didn't give him any drawing. He didn't saw anything about a stand so far as I recall.

(Testimony of Willard Crofut)

Q Did he say anything about what would support the weight of the pump? A As far as I recall, that was not in the conversation.

Q Did he describe the container that was to hold the mayonnaise that was to be dispensed? A I believe that there was some mention of the idea of the container, but that mention would be of no importance to us, because we were not at all interested in that particular phase of it.

We don't manufacture containers or stands. Merely the pumps.

REDIRECT EXAMINATION.

Q BY MR. FLAM: You were asked about this white dispenser marked Defendant's Exhibit B, and you said it was plaskon? A Yes.

Plaskon and bakelite are trade names of similar products. My recollection which I think would be very easily corroborated, is that the original sample dispensers which we made were made of black bakelite. The plaskon dispenser was made because of an effort to get a color that would be more suitable, especially for food uses.

The first Kermin dispensers were made in our plant either the latter part of February or the first part of March of 1935, I believe. Bakelite has greater resistance to the acids that are in mayonnaise than the white material. The black substance has a greater resistance to liquids

Plaintiff Rests.

(Testimony of Harry W. Hahn)

HARRY W. HAHN,

on behalf of the defendants, testified:

DIRECT EXAMINATION

I am 43. I am a manufacturer of die casting and plastic molded products. The materials we handle are thick base alloy, aluminum alloys, plaskon, bakelite and beetle. We have handled those materials in excess of 13 years.

I had some dealings with Mr. Goldfarb with respect to designing a pump for him in August 1935. I did not make any drawings of that pump other than free-hand sketches. I had my chief engineer make some drawings under my direction.

There was a drawing made under my direction. I have brought such drawing with me. The statement "this drawing was made under my direction August 15th, 1935. Harry W. Hahn" I wrote on there this morning, as I verified the details from my records. This stamp here "Accuracy First" I had my engineer put that on; put his name on, because in our shop drawings we don't bother with that when we make blueprints or tracings, but I wanted everything that left the shop to be complete. This drawing was made on the date of August 15, 1935. I manufactured the pumps and dispensers for the defendants. This item right here—designed, made the tools and manufactured that item there, Defendants Exhibit F. was made of a special grade of bakelite. I do not remember

(Testimony of Harry W. Hahn)

the exact technical number. There are some 1000 different fabrications. But it is known as an odorless and tasteless non-bleeding type of bakelite. I obtained that particular feature from the Bakelite Corporation, for this specific job.

Defendants' Exhibit B appears to be plaskon. I couldn't testify that it was plaskon, unless I ran some tests, and it is possible then that there is a similar material known as beetle, that it would be impossible, I believe, for any chemist to detect which of the two materials it was, but it is of the group of materials known as the Reea type of material.

Q BY MR. MONTGOMERY: In making up this drawing did you examine anything down at the factory with respect to the dispensing means used there for their mayonnaise? A Yes; I suggested a type of plunger and a relief for the material that might be trapped behind the plunger, and brought to mind the fact that I had seen a similar mechanism on these pumps used in construction work for raising water out of excavations, and described it to Mr. Julius Goldfarb, and he said "Why I have got that on a pump down in my place," and I went down and looked at it, and he had it.

I can identify this device. It is a part of a filling machine that I saw some time ago.

Q Does that have the same pumping means? A Quite similar mechanism inside.

MR. MONTGOMERY: I offer the drawing in evidence.

(Testimony of Harry W. Hahn)

CROSS EXAMINATION.

In one corner there is the idea that I sketched free-hand and designed myself on that same date. I practically stood over the engineer half the time he was making it, telling him what I had in mind.

THE CLERK: Is it admitted, your Honor?

The Court: Yes.

THE CLERK: Defendants' Exhibit J.

[Book of Exhibits page 67]

Q BY MR. FLAM: Mr. Hahn, the only apparatus you saw from which you were enabled to make this design shown in the drawing, Defendants' exhibit J, was just this contraption labeled Defendants' Exhibit A for identification? A No; I am thoroughly familiar with this article here, and was at that time, and also with another one that had air introduced in it to force the mayonnaise out.

Q In this article here, is this Plaintiff's Exhibit 5? A The article of that general construction. It was a white one that I saw. I saw one quite like that, and another mechanism had an air pump.

Q You knew that this white one that you saw was a so-called Kermin device, didn't you? A I didn't know whose it was, but it was some competitive device, yes.

(Testimony of Harry W. Hahn)

Mr. Goldfarb showed it to me. I asked him to obtain all the different devices of that nature.

Q To assist you in designing yours? A No; so that in designing it I wouldn't inadvertently design the same thing.

Q Referring to Defendants' Exhibit H, I notice you are shown as one of the joint inventors of that patent, is that right? A Yes. Q On the basis of your designing this— A —mechanism right there, yes, sir. That was a joint invention of Mr. Goldfarb and myself, which we worked out together. Q The dispenser was? A. This device, yes. Q. You didn't design it? It was Mr. Goldfarb's and yours?

MR. MONTGOMERY: I object to that as not proper cross examination. We are not trying the Goldfarb patent.

THE COURT: Overruled.

MR. FLAM: Will you answer who designed this Food Craft device. Was it you, or was it Mr. Goldfarb?

A This device, Defendants' Exhibit F was designed; the drawing made by my chief engineer under my direction, as the result of conferences and the joining of ideas and meeting of ideas of Mr. Goldfarb and myself and my engineer in this conference or discussion, of the purpose of designing it. I did not have anything else to do with the entire assembly.

(Testimony of Albert R. Schneider)

ALBERT R. SCHNEIDER,

on behalf of the defendants, testified:

I am thirty-nine. I am in the metal manufacturing business and have been in such business practically all of my life. We make up different metal specialties. We make up different metal equipment. That stand down there was manufactured by us.

MR. MONTGOMERY: The witness refers to Plaintiff's Exhibit 7-C.

THE CLERK: The stand is C.

I mean the metal stand.

Q BY MR. MONTGOMERY: Do you know who devised that stand, or designed it?

A I had a part of it, and my foreman and two men that worked in the shop. It was all at the shop.

Q Was anything brought to you as you agreed to make the stand?

A Yes, a glass jar.

This glass jar here with the pump; with this device attached to it. It had the pump on it. I had nothing to do with the pump.

Q It was screwed onto a glass jar brought to you. What did they ask you to do?

A They asked us to make up a stand that would hold it up in this position, and it should hold it up firmly; so we made up several stands that were not satisfactory. We kept on changing and changing until finally we got this one, and found this one proved to be all right.

(Testimony of Albert R. Schneider)

Q You have a channel here crossing the top of the stand. What is the purpose of that channel?

A The purpose of the channel was to hold the stand together, to make it firm, because we had to bear in mind that this weight was not all of it, because after it was filled with mayonnaise it weighed about 40 pounds; something like that; we had to have something to hold it up so we made up this inclosure to make it rigid.

In our first form we did not have any guide means in it other than the channel in front to insert the glass container.

Q Now, I will show you a device which I would like to have marked D and ask you if that is the way you made it to begin with.

A Yes, that is the way we made it at first.

Q What did you find the trouble with this to be?

A We found the trouble, after they put this jar in there, it would hold it in the stand, but after they started to pump the mayonnaise the bottle would wobble and wouldn't stand firm.

A After that was filled with mayonnaise they started to work this pump; it would get in that position, and make too much noise; then this wouldn't stay in place. Sometimes they would put it in this position, and sometimes they would put it in that position. It was necessary that this be straight in line, so we started to figure out some kind of an attachment which we could make that would get this bottle so it would keep it from wobbling this way, and from being set in the wrong position like this, or like that (illustrating)

This is the device our foreman in the shop figured out. It is equivalent to your hand holding something like that.

(Testimony of Albert R. Schneider)

That is the same thing. Just like two fingers holding it. Part of that pump slides in these grooves and keeps it in place. It is a guide. That pump is the part that fits right in. It holds it in place and keeps it from moving in this direction or in that direction, and the horizontal movement is restrained. It has to stay solid. This upper part keeps the device from wobbling. This 26 does not furnish any support to the weight.

We first started around in April, 1935 and we made several of them up and then around October, 1935 we arrived at this stand here in its present form, as Exhibit No. 7. We made our stand in the shape it is to balance it. We had to keep in mind that we had to get something out that would look pretty nice for display purposes, and as long as we were having a bottle of that shape we arrived at making something similar to that, so that it would balance it. The stand is practically a reversal of the glass jar, with a few different changes it is practically a duplicate of the jar itself. In the outside appearance this stand is almost a duplicate of the jar. In other words if you put the jar up in this position it almost appears as the bottle itself. That is where we got the idea of making that. This upper part supports the weight of the container. It is a circle, just like you have a complete circle to drop this in.

Q What function does the channel form with regard to supporting the weight? A It merely completes the circle.

This is the same stand we made, without this channel. It will not support the weight of the glass jar. The jar will fall out. The guide will hold it up a little, but it would not hold up the stand. It goes right out. It would

(Testimony of Albert R. Schneider)

especially fall out after the weight of the mayonnaise would be inside of that.

MR. MONTGOMERY: I will offer a stand with the guide missing as the next number.

THE CLERK: Which is D.

MR. MONTGOMERY. Then I will offer the guide which has No. 26 on it, as E.

THE CLERK: Defendants' Exhibit E.

MR. MONTGOMERY: And then the pump or dispenser as F.

THE CLERK: Defendants' Exhibit F.

MR. MONTGOMERY: And then a stand with the front part cut open clear from the top to the bottom, but with a guide within, as G.

THE CLERK: G.

MR. FLAM: I want to object to the introduction of this last exhibit in evidence as being nothing but an incomplete type of apparatus. I don't know what possible purpose it could have in this controversy.

MR. MONTGOMERY: As illustrative of the function of the channel.

THE COURT: That is the one the glass was fitted into at one time?

MR. MONTGOMERY: The glass was fitted into it, and it fell forward.

MR. FLAM: It doesn't comply, your Honor, with either the plaintiff's or the defendants' structure.

(Testimony of Albert R. Schneider)

THE COURT: Let it be admitted for whatever it may be worth.

MR. MONTGOMERY: It is merely illustrative, your Honor.

THE COURT: It may be said to be illustrative of the testimony of the witnesses, I suppose. That is all it amounts to.

MR. MONTGOMERY: That is it.

Mr. Julius Goldfarb, Senior brought the glass jar down to me. He came in several times. The function of this device on the inside is a guide, and holds the bottle in place from wobbling horizontally.

CROSS EXAMINATION.

I am in the sheet metal manufacturing business, operating under the name of Los Angeles Sheet Metal Manufacturing Company at 901 East Ninth Street. I have been at that location about six years. At the time Mr. Goldfarb brought in one of these glass containers to me I had four men working in the shop. I did part of the actual work in developing this stand that is exemplified by Defendants' exhibits. We figured out some stand, some idea of display for holding up this bottle.

Q You didn't see any similar stand like that before you devised it, is that right?

A I saw several stands, yes Q Just like that? A No, not like that.

I did not examine them real close. I don't know how close. They were something like that, like the stands shown in this exhibit, Plaintiff's Exhibit No. 5.

(Testimony of Albert R. Schneider)

Q Before you started developing this stand for Mr. Goldfarb? A. I couldn't recall whether it was before or after that I saw it.

The channel in this Exhibit G is to complete the circle.

Q Why is it necessary to have the channel? Why can't you complete the circle inside without the channel?

A If we wouldn't have this part here we would make the entire round circle. You had to have an opening to let this handle go by.

Q You said something about Defendants' Exhibit F. What I am referring to now as Defendants' Exhibit E—you demonstrated that this Defendants' Exhibit E would simply allow this flange on Defendants' Exhibit F to go right through, is that right?

A It couldn't go through, because that would hold it up.

Q It couldn't go through anyhow on account of this threaded flange or circle on top? A No, it would go through anyway. Q On Defendants' Exhibit F? A It would go through. Q How could this go through? Isn't that circle in the way? A That circle is in the way but it would still go through.

Q If these two guides on each side of Defendants' Exhibit E were not parallel, but were brought a little bit closer together at the bottom, then it would serve as a support for this dispenser, would it not?

MR. MONTGOMERY: I object to that as not proper cross-examination. We are dealing now with a device which they claim to be an infringement and such modification that might be made of it to operate it in a different manner is not material.

THE COURT: Overruled.

(Testimony of Ralph Bennett)

A. It might.

Q Now, I show you the stand which I think is Plaintiff's Exhibit 7-C. I want you to try this Defendants' Exhibit F in it, and see if you can't make it pass through the guides in that Exhibit 7.

A I guess we couldn't in this one.

THE COURT: He says his work was perfected, or at least the device, this stand here, in October, 1935.

MR. MONTGOMERY: Yes, your Honor.

THE COURT: That is later than the application for the patent, however?

MR. MONTGOMERY: Yes. It was afterward.

RALPH BENNETT,

on behalf of the defendants, testified as follows:

I am sixty three. I reside in Los Angeles. I have resided in Los Angeles about 30 years. I am a consulting engineer. I took my degree at University of Illinois. I have been in general engineering practice during most of the time that I have been here. I was electrical engineer for the Southern California Edison; I was chief engineer of the Great Western Power. I had something to do with the building of the town of Torrance. I have done a rather considerable amount of mechanical work and have had to do with patents to quite an extent in connection with my work.

I have testified as a patent expert in litigation a number of times. One case involved the Lane-Bowler patents. That is a patent on casing for a shaft—their basic patent on the pump. And within the last year or two, of a method of under-reaming wells. That is, of digging a

(Testimony of Ralph Bennett)

hole, and enlarging the bottom only, for post holes, piling and similar work.

I have read the patent in suit and am familiar with it—Exhibit 1.

This is a Kermin patent No. 2,028,838, showing in Figs 1, 2 and 3 a container 42 carried on a dispenser 25—carried on a base 4, I guess, and supported by an external cone shaped collar on stand No. 1. The purpose of the device being to dispense small quantities of mayonnaise or similar materials without exposing the rest of the contents of the bottle. The three main parts to the device as illustrated and described in the patent are a container, a base and a dispenser. Mayonnaise is supposed to be placed in the container. The container weight is supported largely by the base. The portion 4 which appears to be carried by the legs 6 and 7. I say that that carries most of the weight, because it is stiffer than the casing or stand, which supports the container as against side motions, but at a higher point. The locking of the dispenser to the base keeps the device from wobbling as the pump is operated.

The lip of the cone base keeps the upper portion from moving. The bottom is held in place by the base, by the stand. This exhibit Plaintiff's Exhibit No. 5 is an exemplification of the device as shown in the patent. I have examined the mechanical device here to ascertain the various features of it. The trough or channel in the mechanical device supports the weight of the container. The trough or channel No. 3—indicated as part 3. The weight comes right on here. The side support received from the top of the cone at the point at which it attaches

(Testimony of Ralph Bennett)

to the inverted container keeps the upper portion from wobbling.

I have read patent No. 2,105,646, which is the Goldfarb patent. I understand the mechanism illustrated in that patent. The device here that is illustrative of the Goldfarb patent is Exhibit No. 7.

The Goldfarb device, Exhibit No. 7 is a glass container supported by an inverted cone, the glass container carrying on its lower end the dispensing device. The container weight is carried at the point at which it hits the upward flare of the continuation of the cone, but it is prevented from horizontal motion by some grooves placed on the interior and back of the lower portion of the cone. The part is numbered 26 in the patent of Goldfarb. The collar or upper portion of the bottom cone supports the weight of the container in the Goldfarb device. No portion of the weight of the container is carried by the part 26.

Q BY MR. MONTGOMERY; Do you find anything in there that attaches and forms any collar or support in any manner for the weight. A No, 26 consists essentially of parallel channels through which the back flange of the pumping device can pass and slip right through.

There is in the Goldfarb device a substantially vertical opening in the wall of the stand, but not the whole height. Only the lower portion. The purpose of that vertical opening—it will let you put a smaller container in here to receive and discharge mayonnaise.

Q Is that its sole purpose? A I think so. Certainly its main purpose.

(Testimony of Ralph Bennett)

It allows the operation of the pump, too. The channel on the front above the opening, on which there has been a name plate placed, is for the purpose of completing the collar, so the collar will be capable of being pushed apart, as I did to the bottom of the cone for illustration. There is no particular weakness here. I can put my whole weight on it, and not get the slightest motion.

If you take the channel off, the glass jar would slide right through in.

I find in the device a restraining means within the stand adapted to engage the feeding device. It is part 26.

Q Do you find in the same combination that the container is stabilized by the top of the stand? And by stabilized I mean kept from wobbling. A No, I don't think so. It might be possible to make this cone fit in the bottle so accurately that the bottle would not move, but the intention, and I think the practice is to make the rigidity against horizontal rotation and against moving out of place of part 26.

The rigidity is for the purpose of holding the dispensing device steady from horizontal wobble. It can't go down, because it is held here, but it can slide here. I am turning the jar now in the thread, but it could slide if it were not for the part 26, without any serious hindrance. In other words, if you take part 26 out you get a wobble. This exhibit is a fair illustration of what happens to Defendants' Exhibit D when you put the jar in without the restraining device. It doesn't hold it stiff enough to appear satisfactory to the user. I do not mean that it cannot be used, but it cannot be used in style or in comfort.

(Testimony of Ralph Bennett)

Q Will you state the difference between the two devices, plaintiff's and defendants', as to the means to support the weight to restrain it from movement backward and forward when the pump plunger is being operated, and to stabilize it from lateral movement of any kind? Let us put the glass jar back in here, and place the two of them together so that you can illustrate each part as it may develop.

A In plaintiff's device the weight is taken on a horizontal trough placed below the feeding device. A protrusion of that trough sticks through a slot here, and when locked in position will prevent motion. This one will not quite lock. In the defendants' device the weight is taken on the upper end of the cone. Only the horizontal motion is prevented by the part 26, in the rear of the feeding device. One is supported from below, and the other from above.

The lateral motion is prevented on the defendants' device by the channels on 26 in the rear of the feeder; the lateral motion on this one by it being placed in the trough in the stand. The collar above keeps it from tipping. In case of a side blow it will prevent tipping but it is too far away and too weak to take a heavy blow.

In the defendants' device the container is supported by the outward flaring lip of the stand. It is supported by the outward flaring lip of the stand. It is stabilized by the channels in 26. It is not stabilized by the outward flaring lip of the stand.

(Testimony of Albert R. Schneider)

MR. MONTGOMERY: We would like to offer in evidence the Goldfarb patent referred to, which is defendants' patent No. 2,105,646. I would like to withdraw that later, and file a printed copy, if I may.

[Book of Exhibits page 19]

THE COURT: Very well.

MR. MONTGOMERY: I now produce the Oliphant patent, which is numbered 1,075,268, dated October 7, 1913; the Weatherhead patent No. 1,161,557 dated November 23, 1915; the Griffiths patent No. 1,004,019, dated September 26, 1911; the Cordley patent, No. 1,260,335 dated March 26, 1918; the Coffin patent No. 1,723,229 dated August 6, 1929; the Cox patent No. 1,267,635 dated May 28, 1918; the Jacobson patent No. 1,787,785 dated January 6, 1931. I might offer these in evidence as one exhibit and number them 1 to 7.

THE CLERK: The next is I, 1 to 7 inclusive.

[Book of Exhibits pages 23 to 66, incl.]

I have read and understand these seven patents that have just been offered in evidence as Exhibit I, 1 to 7.

The Oliphant patent which is Exhibit I-1 consists of a watertight stopper in a milk bottle. The milk bottle is inverted on a metal stand, and is inserted tightly into the upper portion of that stand, the bottle being held in place entirely by the neck of the cone above it on the upper portion of the stand. The method of holding that bottle is, in a general way, similar to defendants' device.

(Testimony of Ralph Bennett)

Comparing the Oliphant patent, Exhibit I-1 with the plaintiff's patent as exemplified by Exhibit 5, in the Oliphant patent the casing 2—it is not funnel shaped, but that is the general effect produced. It is an elongated spheroid, I suppose, but for the purposes I will call it a cone, the upper portion of which is flared, and in which the bottle is contained, whereas in the plaintiff's patent the entire device rests, when in use, on the stand placed below the dispenser, and the side of the containing inclosure is entirely open, the whole height, and that can offer no serious support to the container. The Oliphant device is closed at the top. The side wall is closed.

In the Oliphant patent the inclosure extends from the upper flare about a quarter of the way toward the bottom, and leading from the bottom there is an opening in the side large enough to permit you to put a teacup in and operate a valve just above it. Illustrating on the defendants' patent, the opening would come up to roughly where his dispenser is. On the defendants' device the opening of the Oliphant would come up, roughly about here.

Comparing the Oliphant patent to the defendants' device, in a general way it is similar. The bottle is carried on a flare extending above the lower cone. There is an opening on the side sufficient to permit it to get the operating devices in. There is an opening in the side which does not extend all the way up. The two cones are, roughly similar.

Q Where is the opening shown on the Oliphant patent.

A You can see the handle of the cup sticks out through there, because you can see a straight line here, and the cup is dotted back of the straight line. It is referred to in

(Testimony of Ralph Bennett)

the specifications line 87 and following. If you use the Oliphant structure and there is a wobbling it could be corrected only by making the collar tighter, or making the bottom more perfectly. Just an ordinary adaption of well known means, as, for example, putting a rim of rubber in there to make it set more perfectly.

Exhibit I-2 the Weatherhead patent consists of a stand 2 for carrying bottle 10 in a rigid position. The device itself—this is for a fluid in the bottle—the device itself consists of opening passageways leading to a horizontal container 20, I think, which has ports which can be rotated to open and close. The entire device is held rigidly on the frame 2. This is 2; the arch is 2. And the frame 2 is separated, for convenience, at the point 5, but is bolted together by a bolt and nut, 7 and 8 so it becomes a rigid circular unit.

I do not find many of the particular features of the Weatherhead patent in the Kermin device. The bottle here again is supported at point 9. That is, from above. In that respect is resembles the defendants' patent. You have an inverted cone-shaped, or bottle-shaped device supported by a collar.

There is a dispensing means. The dispensing means is made as an integral part of the assembly; all built together in a solid mass.

The Griffiths patent Exhibit I-3 shown in Figs 1 and 2, a bottle each inverted, this time held by a ratchet, and some connecting parts, all of them clamping the bottle rigidly. The text states that you place the bottle in this device in a vertical position, and then hang it into the inverted position. So held, it is quite rigid. The dispensing device

(Testimony of Ralph Bennett)

consists of two valves similar to an old-fashioned shot and powder flask, together with by-passes for letting air in, and other incidentals.

Q What feature does that disclose, shown in the device of plaintiff? A The bottle again is held rigidly, and held from above the base.

THE COURT: Both of these patents you have referred to last measure the contents, do they not? MR. MONTGOMERY: Yes, I think so. THE COURT: To that extent they differ from the plaintiff's device, do they not? A Yes. THE COURT: The plaintiff can let his in or out as much as he wants? A In both plaintiff's and defendants' devices there is a measuring device. The contents of this cylinder, we shall say that is a pint—pushing the handle in we measure out a pint in the container. If you want a quart, however, or some other number you would have to watch it until the container is filled.

The amount is controlled by the operator by the number of strokes taken. Each stroke gives a measured, certain quantity. I would assume a half a pint. I don't happen to know exactly, but I think it would repeat with fair accuracy.

That isn't a feature, however of the plaintiff's patent. I don't think it is mentioned at all in the patent.

Exhibit I-4 the Cordley patent illustrates a bottle 25, carried on the stand 40, through a collar 41 and through a lower device 1, which is rigidly held within the legs of the stand 40. The device consists of a valve which will, upon being pressed at the point 12, permit the contents of the spherical flask 1 to flow out through the point 14.

(Testimony of Ralph Bennett)

Particular resemblance is the collar 41 and the restraining means marked 2. In the illustration the restraining means is not clear, but somewhere in the text is the statement that it can be held by a rubber stopper, or something of the sort. The legs of the stand hold the inserted container, the flask 1, which would prevent the bottle 25 from making a large motion.

When you press the button 12 the contents of 1 run out, but he prevents any material falling from 25 by pushing the temporary stopper 7 up to the mouth of the bottle. When he takes his finger off the liquid runs out of 25 until it is again sealed. 7 is a measuring device.

THE COURT: How is 7 raised? A The collar 20 on the shaft 8 pushes the mechanism 3 which finally lifts the shaft 23 of the pan 7.

The Coffin patent, Exhibit I-5 shows a very massive stand 20 holding up collar 5; a flask 1 containing a granular substance, or I think perhaps mayonnaise, which is fed through a pair of gears 14. When the gears stop the flow stops. The device is of interest only because we are again holding a flask in a collar. The whole thing is assembled in a single unit by threads. The dispenser screws into the collar, and the collar is clamped to the stand. The bottle is screwed on above. You do not have your dispenser screwed to your bottle. They screw both ways into a common collar.

Q What is the effect of that collar as to preventing a lateral movement? A It should make quite a rigid connection. Q And that deals with mayonnaise, doesn't it? A I think in the text he suggests mayonnaise—"materiald which lack free flowing qualities or flow very sluggishly,

(Testimony of Ralph Bennett)

such as mustard, mayonnaise, whipped cream" and so forth.

In the Cox patent, No. I-6, Fig. 3 shows a base 5, a cast iron base, we will say, on the top of which at 7, 9 and 10 there is a device into which the bottom of an inverted flask can be entered. Within the base 5 there is a double shutter arrangement for measured quantities into the container 6. Here again we have the device supported from the base by a single rigid connection.

Q BY THE COURT: What keeps the contents from all running out? A The opening at the point 31 is closed by means of a shutter. Some distance below there is another shutter. These are in inversed positions so that when one is closed the other is open.

The Jacobson patent shows a sugar bowl 11, contained within the case 1. The sugar bowl is supported from the top by a mechanism at point 7. On its lower end it has an in-and-out valve device exactly identical with the old fashioned powder flask. It has a plunger which has a tendency to cause lateral movement.

Q What holds it rigid? A The whole thing is assembled in case 1. The thing is shown with a handle, so perhaps you hold the whole case still with the handle. It is a sugar bowl; a small affair.

Explaining the mechanical features of the device Exhibit A for identification, the device consists of a 3-legged stand made up of angle irons which catches the lower flange of a cylinder about 4 inches in diameter and perhaps 8 inches high, within which there can be operated a plunger by means of a long lever. The plunger has as a

piston a flat disc in which there are a number of holes with a loose follower.

By the follower I mean the plate beneath these holes.

Exhibit F which is a bakelite device in a general way similar to the vertical cylinder which I have been discussing which is marked A. It has a follower.

THE COURT: What is the function of the follower? A When the device is in use a plunger is drawn out. The cylinder fills with mayonnaise. When the plunger is pushed back in, the mayonnaise will flow through the holes, past the follower and fill the space around the stem. When another batch of mayonnaise is to be sold, the port on the bottom of the cylinder is opened, the plunger is pulled out, the mayonnaise has to come with it, because the follower has drifted tight up against the openings and prevents back-flow.

Comparing that with Exhibit A, there is no particular difference. A is all metal. Exhibit F is bakelite. Exhibit F is intended for horizontal use; Exhibit A is intended for vertical use, and I am told that Exhibit A handled about 80 pounds in the funnel placed above the cylinder, and F. handles 25 or 30 pounds in a batch.

Exhibit A is a factory dispenser, used in filling jars in the factory, for sealing and sending out as completed parcels.

Comparing Exhibit A with the Kermin device, not the pump so much as the assembly. In the Kermin device we have a stand on top of which there is built up the rest of the apparatus so that the machine is thus (illustrating) Now, for appearances, this has been surrounded by a metal case. As now illustrated we have the plaintiff's device, and if we take the casing and bolt it to the base

(Testimony of Ralph Bennett)

the casing will tend to support the container in a position. Loose and unbolted the container is pretty free.

Mr. Montgomery. If this hasn't been offered in evidence we will offer it now.

THE CLERK: B for identification, in evidence.

To adapt Exhibit A to a similar use to that shown in plaintiff's patent it would be necessary from a mechanical standpoint to put a device on it for holding the funnel, the container. If you wish to dispense with a machine of this size, all you need to do is put on something for holding the jar in which the wholesale quantity was brought to the jobber. Exhibit A has a rest or support carrying a cylinder, the feeding device, measuring device. If a hopper is put on, or a bottle containing mayonnaise, it would also carry the bottle. There would be sufficient space so the nose of the bottle could be inserted in the open end of the cylinder.

I do not find anything functionally different in Exhibit A from Plaintiff's patent.

RECALLED—

CROSS EXAMINATION

I acted as a patent expert in connection with the Lane & Bowler litigation. That must have been 15 years ago, roughly. I mentioned some other cases yesterday. Scattered around at intervals the last year; within the last six months. The extent of my employment in those cases—the reading over of references, and things like that, and discussing them before the court and describing them to the court, as I have done here. Technical evidence as to

(Testimony of Ralph Bennett)

the results to be obtained, or which could be obtained by the particular devices, purely and simply from the description of the patent specifications.

I never was employed in an experting capacity where I actually built devices and tried them out, and testified about them in court. I know very little about mayonnaise other than as a consumer. I haven't tried or made any tests in accordance with any of these alleged anticipating patents to see whether they would work with mayonnaise or not. In most cases it is obvious. Obvious that they will or will not work. They are not complicated mechanisms or unusual in type.

I spent some time in discussing the description of the Food Craft device in relation to the patent, Defendants' Exhibit H. I have a device in front of me now on the stand, which is plaintiff's Exhibit 7. I have mentioned in the course of my examination this defendants' Exhibit F, which is what has been variously termed as a pump part or dispenser part of defendants' device. As shown in this patent, part 10 represents this flange here,—this large flange in which there is a screw thread. The so-called guide, that is included in defendants' stand, is supposed to engage underneath the flange.

Q Isn't it true that that flange rests upon that guide?

A No. Q Why doesn't it? What does it do here? A It does there, yes, but it doesn't here.

Q BY MR. FLAM: And this guide portion which is the same as this guide portion here, doesn't it so rest?

A It does not.

The collar keeps it from falling through.

(Testimony of Ralph Bennett)

THE COURT: What prevents that from falling through? A As actually used? THE COURT: No, now. A Nothing now. It is riding here somewhere probably on this flange.

I am not sure that it is the flange. I think there is some doubt about it, because if we take separate parts where we can see them—it would pass through if you spring it a little.

THE COURT: The question was, what prevents it from passing through. A It strikes on a subsequent portion that is on the collar flange. That is what prevents it from passing through.

Q BY MR. FLAM: That flange rests upon this guide, doesn't it? A Not in use, no. Q I am talking about this assembly as I have it in my hand. Yes; but you could put it in the other side up, and the same thing will happen. That has nothing to do with the way it is actually used.

This assembly differs from the complete assembly in that it is one inch lower. It rides like that in the assembly; this goes up and down. You can't do this way, whereas, if you set it there, if this were strong enough to take some weight, but that isn't the condition in the actual apparatus. The guides will prevent only horizontal motion; not vertical motion, in the actual assembly. In other words, these guides restrain against so-called wobbling.

Q Taking the dispenser part off of Exhibit 7 I will ask you to place the container part back in place. Now, I notice you pressed it down good and firm. Will you release it just a little bit so it merely rests by gravity?

(Testimony of Ralph Bennett)

Now, you say this guide represented by Defendants' Exhibit E will stabilize against wobbling of that container?

A Not now. But that is the purpose of that guide.

Q And you can wobble that container while that restraint is absent, as it is in the present assembly, is that right? A You can wobble it some. If this stuff were heavy, you could put that in there so that you couldn't get it out without breaking it. Q And you wouldn't need the restraint? A That is correct, but that is not the method of construction which the patentee has adopted.

I may have testified that this patent, Defendants' Exhibit H is an accurate representation of defendants' device. I did not mean it was a working drawing, although it appears to be a sketch, picture of the device.

Q I call your attention to the flange 10 in Fig. 3. That flange 10 is shown as resting upon the sloping back wall of part 26, that you identified as the guide? A I think it is. That is the way it is shown in the *ptent*.

Q Therefore, isn't it true that the part 26 is a rest for the flange? A No. Because the exemplar before me shows that the container is mounted higher than that.

Q I am talking about the disclosure in the patent, Can you see that the flange is on that sloping place there, that guide? A That would be a point of contact only.

It is not reasonable to suppose any mechanical man would expect any load whatever to come upon a thin sheet of metal. Q Doesn't the patent show that flange resting on the guide?

At the left-hand side of the flange there is, to my eyes at any rate, a contact between the flange and the top face of the guide. Isn't it true that the flange does rest upon this guide part 26.

A To which I will answer that on line 27—

(Testimony of Ralph Bennett)

THE COURT: One moment. Tell us whether the flange rests on—what number are you calling that?

MR. FLAM: 26. THE COURT: 26, the slanting portion of 26?

MR. MONTGOMERY: Just a minute, your Honor. I object to the question as indefinite and incomplete, in that it is confined to the drawing which is only illustrative, and you have to take the patent as a whole in order to determine the manner in which it operates.

THE COURT: The objection will be overruled. I want to hear the witness' answer to that question.

A No; the drawing appears to show a contact between the circle of the flange and the sloping top of 26. That contact is, however, almost nominal, since the tin of 26 is at that point entirely unsupported.

THE COURT: Where is that?

A At the contact between 26 and the flange 10. The flange 10 bears against 26, which has not the slightest restraint. The slightest motion, as you have here, indicates it hasn't been intended to take any load whatever. Furthermore, may I read from the patent on page 1, line 48:

“It should be noted, however, that the guide 26 does not support the dispenser D, that it merely resists rotation of the container-dispenser unit and also prevents displacement thereof while the dispenser is being operated. The weight of the unit is borne solely by the upper end of the stand at the neck 2.”

Q Again I ask, doesn't the drawing of the patent show that flange resting upon the guide 26?

MR. MONTGOMERY: I object to that as having been already asked and answered.

(Testimony of Ralph Bennett)

THE COURT: My understanding is that the witness answered that in the affirmative.

MR. FLAM: He said no at first.

MR. MONTGOMERY: He said no, there was a contact, but it did not rest.

THE COURT: I am expecting a response from the witness now. My understanding from your testimony is that that drawing does show member 10 resting on that sloping portion of 26. That is correct, isn't it?

A Yes; it shows contact, but no possibility of loading.

MR. FLAM: I move to strike the voluntary part of the answer.

THE COURT: No; it is in line with what he has read from the patent, to the effect that the guide 26 does not support the dispenser D. That is what you would call a disclosure of the patent is to that effect.

The Oliphant patent, Defendants' Exhibit I-1 shows a dispenser that would be suitable for mayonnaise.

Q It would work for mayonnaise quite well? A No, not quite well. Q Would it work at all? A I think so. The flow would be so slow as to be utterly unsatisfactory.

This was intended for milk. Whether he would actually be able to get the last of the cream out I would doubt. However, the addition of compressed air, as is sometimes done for mayonnaise, would make it workable.

Q It wouldn't work as it is? You agree with that? A I don't think it is conclusive. Q You rather think it would work the way it is? Will it work, or will it not? A It will work on a large scale; not on a small scale. He specifies a milk bottle. If his valve is small, the mayonnaise will not flow. I think mayonnaise would go down as far as the cork. I have no doubt about that.

(Testimony of Ralph Bennett)

Q Will it or will it not work? I am referring to the Oliphant disclosure, Defendants' Exhibit I-1: Will it work when used for mayonnaise, without any further modification or addition? A The patentee says for liquids. It will work well for liquids. It will not work well for semi-liquids.

Q BY MR. FLAM: I am asking you, will it work for mayonnaise? A I do not know.

Q BY MR. FLAM: Assuming that you can utilize the Oliphant device for mayonnaise, which I don't want to admit, but assuming for this question that you can, isn't it true that there is no restraint whatever disclosed in the Oliphant patent to keep the container from wobbling? A Reading from line 11: "supporting said vessel in a fixed position." The upper portion of the cone, that is, the flare above the neck—The stand 2 is extended above the neck, in a flare, which the patent says in the text is to be fitted to the bottle. If so fitted it would be quite rigid. Q In other words, you wouldn't need a restraint at all. Is that your idea? A That would be restraint.

Q We have been talking about restraints here, Mr. Bennett, such as exemplified by Defendants' Exhibit E. There is no equivalent of that element in the Oliphant patent, is there? A The answer is no, the Oliphant patent is intended for a milk bottle.

MR. FLAM: I move to strike that part of the answer.

THE COURT: Motion denied.

A The stiffness with which the bottle can be stuck in the neck of the stand 2 would be relatively much greater than it would in a 60 or 80-pound container.

(Testimony of Ralph Bennett)

Q If you used a pump in connection with the Oliphant container, you wouldn't need a restraint at all, is that your idea, such as is used by plaintiff's and defendants' devices?

A I don't think you would fit on a pump which would take a pint or a half-pint or even a quart bottle. I don't think the thing is in proportion.

Referring to the Weatherhead patent, Defendants' Exhibit I-2, in my opinion that device shown in the Weatherhead patent will not operate satisfactorily when used with mayonnaise.

Q Isn't it true that in this Weatherhead patent the so-called dispenser shown in section in Fig. 2, is made integral or a part of the stand, and does not go into the container? This dispenser cylinder, the valve handle 19 for operating, that is shown as a part of the stand? A No. Q It is not shown? The neck of the bottle, is it? A The bottle is thrust down into the wings in projections 11.

Q The Weatherhead dispenser does not work like these dispensers we are talking about, which are attached firmly to the small end of a container, isn't that right? The dispenser in the Weatherhead patent isn't joined to the small end of the container, is it?

A The patent drawing shows the container 10, this quart bottle, held or supported by 9 and between the ribs 11. Somewhere in the text of the patent is the statement that they are quite tight.

Q Will you answer the question please?

MR. MONTGOMERY: I submit the question can't be answered in any other form.

(Testimony of Albert R. Schneider)

THE COURT: Is it or is it not?

A No. Q It is not? A No.

I have an office of my own as a consulting engineer at 1322 Washington Building.

The Griffith patent, Defendants' Exhibit I-3 does not show a structure that will operate satisfactorily with mayonnaise. The patent is specifically limited to very small openings, capillary openings which were difficult to proportion even for the liquid for which the patent was intended, whatever that was. A dispenser is shown in this patent. The reference character is the letter *d*. That is the measuring portion of the dispenser. That dispenser is supported by the frame *t*, and other metal parts extending over and locked to the dispenser. In this case the bottle is supported on the dispenser, and not the dispenser on the bottle. The bottle is simply put over a cup and held in place, supported by a part of the frame.

THE COURT: Is this supposed to be a measuring device for liquids?

A Yes; the upper valve fills the chamber *b*, and at a subsequent time the lower valve opens it.

I hardly think this device shown in Cordley, I-4, can be used satisfactorily for dispensing mayonnaise.

Q It is true, isn't it, that in this case also there isn't any dispenser element carried by the neck of the bottle, or by the end of the bottle; look at Figure 2, the end of the bottle is shown there; that doesn't carry any dispenser, does it?

A No; the dispenser is below and independently mounted upon the bottle, but the bottle 25 is held in the neck 41, and extends through 2 into the top of the dispenser.

(Testimony of Ralph Bennett)

I do not think the dispenser is joined to the bottle.

THE COURT: Has that a suction action?

A No; this is entirely a liquid device. The contents of 1 when drawn down through the valve leave it empty. As soon as you take your finger off 12, 7 which has been pushed up against the mouth 25, drops down and allows 1 to refill. When the liquid is withdrawn from 1, air takes its place for the moment. The air comes from the loose neck 2'. In this case the contents of your measuring chamber are open to the atmosphere through a restricted opening.

Q Is there any restraint shown for the bottle, except for the ring 41, so that can be the equivalent of these restraints which we have been talking about? A The bottle is inverted. No; not a similar type to Defendants' Exhibit E. However, that device there, 26, is a restraining device for measuring and 1 is held in very rigid control by being inserted within the legs 40. There is no restraining upon the wobbling of the bottle 25, but no strain comes on it because the dispenser is not joined to the bottle.

Referring to Coffin, Defendants' Exhibit I-5. In this patent I think there is some statement to the effect that it is adapted for mayonnaise or mustard or the like, but I don't believe it. The passages are too small. There is no method of putting pressure on the contents of chamber 1. I don't think it is likely that any liquid or mayonnaise would flow.

Q It is true, isn't it, that the container 1 is not a reversible container? It is intended to be joined permanently to the ring 3? A No; I don't know that that is

(Testimony of Ralph Bennett)

the case, because ring 3 is threaded, as is the lower portion of 1. Q The container 1 is not reversible? It is not intended to be reversed? A It doesn't need to be, because it has the lid 2, through which it can be refilled.

In Coffin, the container, reference character 1 is intended to be operated by lifting the lid off and filling it as required. There isn't any such a thing in plaintiff's or defendants' devices.

Q In Cox, Defendants' Exhibit I-2, I call your attention particularly to Fig. 3. On that figure, the part 16 is supposed to be a little below the container 6. So if you use it for mayonnaise that mayonnaise would be apt to drip out through the opening between the valve, past 16 and the container 6, is that right?

A I don't know. In the device which I hold in my hand, which is plaintiff's Exhibit 7, the dripping is prevented by a similar sliding device, so there is no theoretical reason, perhaps, why the sliding device 16 should not be tight enough to prevent mayonnaise from flowing. I don't see any spring pressure, or the like, uniting the member 16 into contact with the bottom of the container 6. 16 is operated horizontally. 16 is rotated 90 degrees more or less, by means of the vertical rod 15 which carries the handle 18. If you used mayonnaise with this Cox device with the upper valve member 31 open you could draw say a pint into the chamber 6. When you reversed the position of the valves, the pint would fall out of the bottom. Looking at the element 31, shown in Figs 2 and 4, Fig. 2 is a stand. This shows the element 31 in these figures as a grating. As shown in the drawing that is a grating. The device, therefore, is intended for granular material of a size larger than the spacing between the fingers.

(Testimony of Ralph Bennett)

That would not effectively prevent the flow of mayonnaise.

The Cox device as shown in Exhibit I-6 would not be adapted for dispensing mayonnaise. In this Cox device the feed is purely by gravity.

I hardly think that device shown in Jacobson I-7 would be operative when used for dispensing mayonnaise. It is intended for sugar, and would probably work better with a granular dry material.

Q There is an inverted container in there, is there?

A No, you take off lid 12 to refill it. Q And the passages in the measuring device shown in Fig. 2 are too small to permit the passage of mayonnaise, isn't that true?

A I don't know that it is too small, as much as the fact that mayonnaise would leak out everywhere. It would not work.

Of all of these seven patents, I don't believe that any-one of them would work unaltered for dispensing mayonnaise. Out of all of these references the best reference against the plaintiff's patent is the Oliphant patent. In the Oliphant patent the base 2 carries the bottle in an upward extension in a manner very similar to that in which the defendants' device carries their bottle.

Q Irrespective of what the others show this Oliphant patent is the one that you would finally rely upon to restrict the plaintiff's patent, is that right? A I do not know. The answer is yes, I don't know.

Oliphant doesn't show any dispensing device operating other than by gravity.

Referring now to Defendant's Exhibit A for identification, in this form of a pump, or whatever you choose to call the device, the pump is secured to a stand.

(Testimony of Ralph Bennett)

Q In the plaintiff's and the defendants' devices as shown, all around the stand here, what is termed the pump is secured to the container, isn't that right? A No, in the plaintiff's device the pump is secured to a stand. The make-up, as I illustrated this morning, is the stand, the pump, the container, whereas the make-up in the defendants' device is the stand, the container, the pump.

In both the plaintiff's and the defendants' devices the dispenser or pump is secured to the container.

In Defendants' Exhibit A there isn't anything here that would show how a container would be connected with this pumping device, nor how it would be supported in relation to it. I have before me, I think, a completed assembly of the defendants' device, which is in evidence as Plaintiff's Exhibit No. 7.

Q I want you to look at that carefully, and tell me whether or not this container part, the glass part, is stabilized by the lip portion of the stand? A No, the weight is carried on the flange or collar, but so far as horizontal rotation is concerned, that is prevented by the channels in 26.

Q The purpose of this member 26, exemplified in Defendants' Exhibit E, is to stop that wobble when the dispenser is operated, is that right? A I think more rotation than wobble, because the collar is fairly long, and fairly stiff.

Q What could possibly cause that to rotate, if you leave it alone? A In handling the mayonnaise, when it is stiff, a considerable pressure might have to be put on the handle, so that the restraint is partly against that rotation, and partly against the wobble. In order to be

(Testimony of Ralph Bennett)

able to withdraw the container from Defendants' device, Plaintiff's Exhibit 7, with the dispenser attached to the device, you have to push the plunger all the way in the dispenser. Then the bottom of the plunger passes through the opening formed in the upper part of the stand.

In the Kernin dispenser, Plaintiff's Exhibit No. 5, the restraint here supports the container. Without it the container would topple over.

Q You are sure of that now? That is what would happen? A That is the case, yes. Q That is, if it were not for the fact that this device here is stabilized by the restraint, you couldn't keep that bottle in place? A No.

Q I will ask you to look at this particular exhibit. I don't want you to look at anything else. Will you move the container? Of course, if you take that dispenser off, then it cannot help to support the container, is that right? A Yes. Q As I am doing now? A. Yes. Q Accordingly, if I place this container into the stand, according to your prior testimony, and what you have just said, it couldn't possibly be supported there. Now, you say that it is supported on the stand? A Yes, but you haven't yet taken away the horizontal restraint from the bar. Q As it stands before you now you don't need that restraint? A I think so; you do. Q. You think you can take that out without lifting it? A You can wobble it around until it is useless.

This stand exemplified by Plaintiff's Exhibit No. 5, is in accordance with the patent specifications of the patent in suit. The empty container as it now stands is supported by the stand.

(Testimony of Ralph Bennett)

This cover for the aperture in the defendants' device, which is shown in Plaintiff's Exhibit No. 7, was put there to stiffen the stand. It serves fundamentally the same function as these braces in the plaintiff's device. It stiffens the stand, but in an entirely different manner. The brace in plaintiff's device completes an inclosure about half way over, in order to give it rigidity at the top. The stand must come from this right up so this member has to resist against a vertical action. In this case we have a girth and ring, just as though I would take a handkerchief around here. That piece of cloth will be stronger and stiffer than this here. In both instances there is a stiffening means for the frame, for the stand. There isn't anything in the Kernin patent in issue that specifies thickness or weight of the sheet metal that forms the stand.

Q Then you would not consider it out of line at all if this stand were made out of some heavy cast iron, would you? A I would.

Q I don't want to ask any technical points of law, but do you understand that a patent is restricted in its description to the particular material specified in the patent? Is that your idea of patent specifications? A If the material were a portion of the patent, I would assume so.

Q Is the material in this case? A I think not.

Q Therefore that stand could be made out of comparatively rigid material in itself, without the need of any brances whatever, isn't that right? A Yes.

(Testimony of Ralph Bennett)

REDIRECT EXAMINATION.

Referring to patents Exhibits I-1 to 7 inclusive, I find in all of the patents a stand, a container and a dispensing means. I find in some of the patents a restraining means to as to prevent the dispenser, in operation, from imparting movement to the container.

In the Cordley, which is No. I-4, the dispensing means 1 is raised rigidly into position by the legs 40, whereas the storage device 25 is held in position by a spring on the upper end of the legs 41.

Q Do you find any that have a restraining means so that the container is held at the bottom end? A That could be taken to mean No. I-2, Weatherhead, where the container is bolted to a U-shaped frame by the bolt 8—to the U-shaped frame 2. That would be the measuring device, and the container itself is inverted into that.

In Griffiths, the lower end of the bottle is inverted on top of the cork *b*; the upper end of the bottle is held by a band, *c'*, and the upper end of the supporting rod *r*. The whole thing is carried on a base *t*, and another adjustable rod *s*.

I would say the bottle was held at the bottom, and half way up. That is, there are two points; it is held at the bottom and half way up.

Cordley shows the measuring device as contained within the legs 40. It shows the bottle 25 inserted on top of this support by a band 41.

(Testimony of Ralph Bennett)

THE COURT: Let me observe here, Mr. Montgomery: My impression is that these patents have relation to bottles or containers, where the element that is important here is entirely unimportant. Any ordinary milk bottle, or wine bottle, or any of the ordinary sized bottles, of course, the wobbling element is not at all important in such a case, but here a rather new situation is present, where it becomes quite important. These patents—I don't see that any of them present that as a problem to be overcome. I don't know which side this weighs in favor or against, if it weighs at all, but I am merely suggesting that at this time.

Q Is there any one of them where the rigidity of the device and holding steady against movement while the dispenser is operated is of any importance?

A No very great importance. Perhaps the most important, and yet that also is doubtful, is Cox, 6, which is intended for selling a penny's worth of peanuts, or something of that kind, and the rotation of the arm 18 would probably be rather roughly done. This, however, shows a cast iron base, shows a container mounted on that rigidly, and fills from the top through the opening 13.

Cox shows a container 11 mounted on a heavy base 5, bolted on by a flange, a measuring device suspended below that, 6, with an entrance and exit gate. That is a rather complete restraint.

(Testimony of Ralph Bennett)

Q Where the container is made of parchmented paper, conical in form, as specified in the patent in suit, what kind of a support for its weight must be provided?

A Such a container is so weak sideways—I can dent that in with my fingers, whereas I can probably stand on the end of it, without the slightest difficulty. Therefore, a person familiar with such things would attempt to carry it on that end, of course, during transportation,—on the large end.

I refer to the lower end, the lower end when it is inverted.

The Kermin patent so carries the weight.

Where a glass container is used, such construction as I have described is not required. It may be supported at any convenient point, unless you bring a sharp point against it. Glassware will stand enormous loads as long as they are safely applied; so this could be carried by a collar, or any way desired.

This last assembly I have just made to illustrate the last answer, was the placing of the glass container into a device corresponding to the plaintiff's stand.

That is a stand that is reinforced by the support below.

Q And when the dispensing device is screwed onto the end of that glass, then where does the dispensing device rest.

A Using the device which belongs with this stand, it would rest on the trough, and would be vertical.

(Testimony of Sam Rubin)

SAM RUBIN,

on behalf of the defendants, testified:

DIRECT

My name is Sam Rubin. I am 53. I am working now for the Foothill Products. It is a little concern starting out. Mr. Margold, Beacon Hill Products. That concern has no relationship to the defendants.

I worked for Gelfand for eight years. I worked for Arden about three years. I have been in the mayonnaise business about 14 years. I designed Defendants' Exhibit A. Somebody made it for me. I designed that in 1932. I think it was some time in the fall of 1932. I can't give you identically the date. I say 1932 because I know just exactly it was in 1932 when I left Mr. Gelfand. I made that pump because I started in business for myself. I fix the date as the time I left Mr. Gelfand.

A mechanic by the name of O'Brien made that up for me. He is now in Los Angeles. He used to be in San Pedro. I used it myself to fill glasses. I filled three ounces to ten gallons and even more than that. I used it for filling, and especially for glass, for mayonnaise. I put a funnel on top here. It was made of stainless steel. It fitted in the open part on top.

Q Did it fit in tight around it or inside it? A No around it. On the outside of it. I had bolts, just plain bolts to fasten it on the table. I fastened it up as a support.

I used it myself. After I got through using it I left for New York. I wanted to sell it then. I sold it to Mr. Goldfarb. Later on I came back and I worked on the same pump for Mr. Goldfarb.

(Testimony of Julius Goldfarb)

CROSS EXAMINATION.

This funnel that I am talking about that is used in connection with this exhibit is not permanently attached to the cylinder here. That comes right on the top. You can take it out any time you want to to clean it up, and whenever you used it, you put it on the top. It is all open at the top, like any other funnel.

JULIUS GOLDFARB,

on behalf of defendants, testified:

DIRECT EXAMINATION.

My name is Julius Goldfarb. I am 33 years old. I am a food manufacturer. I have dealt with mayonnaise seven and a half years. I recall the formation of the Mayonnaise Association. It was approximately the latter part of 1934. Mr. Kermin was an officer of the Association. I believe it was the president. I think it was the president, or the head, the chairman. He attended meetings. The purpose was to form an association to adjust prices, and at that time, during the Association, we had a little trouble with the State Department. They wanted to eliminate the bulk mayonnaise, so we were talking about making a dispensing machine. Two or three plans were suggested to the Association. We were all of us manufacturers, to bring the plans in all together, to go over them and see what was what, and get a general idea, if we had one, and we would all use the same principle. Mr. Kermin came down to our place of business.

(Testimony of Julius Goldfarb)

Q Did he come in while this device, Defendants' Exhibit A, was in use? A He was in the back on several occasions.

I bought Exhibit A about 1933, the first part of 1933; about six years ago. We used it up until two years ago; then we bought an automatic filling machine.

There were other dispensers for mayonnaise on the market before Kermin. C. R. Cheney Company had a dispensing machine. It was a cone-shaped, solid stand. That is, the part that held the mayonnaise came down in a cone shape, similar to this, and had a three-legged stand. It had a knob at the end of this, with a gate, like this; that had a little knob at the end of this here. That was stationary, I believe. To push it out they had a rod which ran down through the center. The smaller rod had a plunger, like this. You would push it down. As you pushed it down, the mayonnaise would come out here.

This device is a dispensing machine. Originally the Sanitary Dispensing Machine of Seattle. It has been on the market to my knowledge, better than six years. From about '33 on. It works with air. We got out one that worked with air. After that we developed the present proposition. We put our present device on the market 1935. The complete unit was put out in October, 1935.

No former Kermin employee works in my firm at the present time, or ever did, to my knowledge. The defendants over in San Bernardino are merely a distributor.

That had nothing to do with the dispenser. I had it thoroughly developed and on the market at the time they became distributors of our product.

(Testimony of Julius Goldfarb)

MR. MONTGOMERY: I will offer this last device in evidence.

MR. FLAM: I object to it as being no proper foundation laid for it. We don't know where it came from, or how or why.

I got it recently, but they have been in use for about six years as a mayonnaise dispensing machine.

MR. MONTGOMERY: This is merely illustrative. We are not pleading any prior art. We are not relying upon it, I mean, as anticipation.

I have seen them in use. They are being used now, and in the past five or six years, here in Los Angeles. I know that myself. I have seen them around the different places.

THE COURT: Let it be admitted.

MR. FLAM: Exception.

THE CLERK: Defendants' Exhibit K.

They are used by the Arden people. I think Gelfand used it, and the Arden Dairy started to use that, the Sunshine Mayonnaise Company uses them. A fellow by the name of Cox owns it.

There are bulk sales of mayonnaise made without using dispensers like these various ones that have been shown here and testified to. They sell them out of crocks. Some of the larger places in town sell them out of crocks; prefer them to dispensers.

MR. MONTGOMERY: I will offer Defendants' Exhibit A, which is for identification, now in evidence

MR. FLAM: I object to that as being irrelevant and immaterial to this controversy.

THE COURT: Overruled. Let it be admitted.

THE CLERK: Defendants' Exhibit A in evidence.

(Testimony of Julius Goldfarb)

MR. MONTGOMERY: I will now offer C in evidence.

MR. FLAM: We object to that as showing a piece of apparatus which does not comply with anything at all that is shown in any patent.

MR. MONTGOMERY: It is part of the stand.

THE COURT: It is referred to in the testimony.

MR. MONTGOMERY: It is referred to in the testimony.

THE COURT: He is entitled to have it admitted.

MR. FLAM: Exception.

THE CLERK: Defendants' Exhibit C admitted in evidence.

CROSS EXAMINATION.

One of the first types of mayonnaise dispensers that I had involved the use of an air pump. I discarded that type of dispenser the early part of 1935.

Q Do you mean prior to the time an assembly such as plaintiff's Exhibit No. 7 was developed? A I don't know when that first was developed.

Plaintiff's Exhibit No. 7 is the Food Craft dispenser. In October 1935 was the time we first came out with a complete unit, and it is here 7. Up to that time we used an air pump arrangement.

Regarding this Cheney Company, in that apparatus he did not have a reversible container; they had a solid device supporting a container that was not detachable or reversible. As I recollect, their machine was not reversible. It was already there. Permanently attached.

A stand defendant's Exhibit L was received in evidence.

Defendant rests.

(Testimony of Julius Goldfarb)

REBUTTAL—DIRECT EXAMINATION.

Referring to the Oliphant patent, that was introduced in evidence as Defendants' Exhibit 1-1, I made an investigation as to the operability of that device in connection with dispensing machines.

Q Have you any physical exhibit to show the structure of that Oliphant device? A I have here a milk bottle which I believe comes within the specifications of the patent.

The Oliphant patent calls for a stopper set within a milk bottle in an inverted position, with an air vent coming up through the stopper into the bottle, and with a faucet and stop-cock of some fashion going through the cork and placed in an inverted position should allow the contents to come out through the open cock, and be controlled by the cock. I have been unable to get any mayonnaise out of this device.

The filling is mayonnaise. This mayonnaise was taken out of our vat this morning, out of the same vat in which we place our regular run of mayonnaise. It is the kind we market in such cones and containers as we display there.

MR. FLAM: I offer this milk bottle as an exhibit in evidence.

THE CLERK: That will be Plaintiff's Exhibit No. 10.

I don't believe mayonnaise could possibly leave the bottle with the entire stopper removed.

(Testimony of Julius Goldfarb)

Q Will you try that? The stopper being removed you get no mayonnaise out through the neck of the bottle. A That's right.

CROSS EXAMINATION.

MR. MONTGOMERY: And you don't get it out of the paper cone if it is turned upside down, either, do you?

A Not very readily.

The physical and other exhibits referred to in the foregoing statement as having been received in evidence, are made a part of this Consolidated Statement of evidence by the Reference thereto, together with a book of Exhibits containing copies of documentary exhibits, which book of Exhibits by this reference is made a part hereof, as though fully copied herein.

STIPULATION.

The foregoing statement constituting pages 1 to 72 inclusive, is agreed to as a true and correct statement. ~~under paragraph B of Equity Rule 75.~~ [C. C. M., J. F.]

Charles C. Montgomery

Robert I. Kronick

Attorneys for Defendants-Appellants.

John Flam

Attorney for Plaintiff-Appellee.

The foregoing agreed narrative statement of the evidence is hereby allowed and approved and the same is hereby ordered filed as a consolidated statement of the evidence to be included in the record on appeal in the above-entitled consolidated causes, as ~~provided in paragraph B of Equity Rule 75~~ and [C. C. M., J. F.] in accordance with stipulation entered into on the trial that "there will be a common record and in case of appeal the Court record will apply to both cases."

Geo. Cosgrave
United States District Judge.

Dated: Sept. 22, 1938.

CERTIFICATE.

The foregoing statement and the exhibits to be printed in the Book of Exhibits and physical exhibits constitute the Consolidated Statement of Evidence ~~under Equity Rule 75~~ [C. C. M., J.F.] in the above entitled Consolidated Actions.

Geo. Cosgrave
United States District Judge.

Dated: Sept. 22, 1938.

[Endorsed]: Lodged Sep. 9, 1938. R. S. Zimmerman, Clerk By L. B. Figg, Deputy Clerk. Filed Sep. 23, 1938. R. S. Zimmerman, Clerk By Edmund L. Smith, Deputy Clerk.

IN THE DISTRICT COURT OF THE UNITED STATES, SOUTHERN DISTRICT OF CALIFORNIA, CENTRAL DIVISION.

NATIONAL UNIT CORPORATION,)
a corporation,)
Plaintiff,)
vs)
EDWARD E. BRAMLETT, CHARLES) In Equity
R. BRAMLETT, GORDON P. HATCH-) No. 1183-C
ER and E. DANA BROOKS, a co-part-)
nership doing business under the firm name)
and style of B & H FOOD PRODUCTS)
CO.)
Defendants.)

-----)
NATIONAL UNIT CORPORATION,)
a corporation,)
Plaintiff,)
vs)
JULIUS GOLDFARB, MEYER GOLD-) In Equity
FARB, and ANN GOLDFARB, a co-) No. 1184-C
partnership doing business under the firm)
name and style of FOOD CRAFT PROD-)
UCTS CO., V. R. JAMES and E. G.)
HEIDEN,)
Defendants.)
-----)

PETITION FOR ORDER ALLOWING APPEAL.
TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT.

The above named defendants EDWARD E. BRAMLETT, CHARLES R. BRAMLETT, GORDON F. HATCHER and E. DANA BROOKS doing business under the firm name and style of B & H FOOD PROD-

UCTS CO. each feeling himself aggrieved by the Interlocutory Decree entered in this cause May 10, 1938 in case No. 1183-S above entitled, and JULIUS GOLDFARB, MEYER GOLDFARB doing business under the firm name and style of FOOD CRAFT PRODUCTS CO. and V. E. JAMES and E. G. HEIDEN, each feeling himself aggrieved by the Interlocutory Decree entered in case No. 1184-S on May 10, 1938, the two cases having been consolidated for trial and appeal, come now by counsel and petition this court for an order allowing the prosecution of an appeal from said decrees in the consolidated cases to the United States Circuit Court of Appeals for the Ninth Circuit under and pursuant to the rules in that behalf made and provided, and that an order be made fixing the amount of Appellants' bond in the joint appeal.

Dated: Los Angeles, California, May 20, 1938.

EDWARD E. BRAMLETT,
CHARLES R. BRAMLETT,
GORDON F. HATCHER
E. DANA BROOKS,

By Charles C. Montgomery
Their attorney.

JULIUS GOLDFARB
MEYER GOLDFARB
V. E. JAMES
E. G. HEIDEN

By Charles C. Montgomery
Their Attorney.

[Endorsed]: Filed May 20, 1938. R. S. Zimmerman,
Clerk By Edmund L. Smith, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

In Equity No. 1183-C

In Equity No. 1184-C

ASSIGNMENT OF ERRORS.

Come now the defendants in the above entitled causes, except the defendant Ann Goldfarb, and in pursuance of and in obedience to the rules and practice of the United States Circuit Court of Appeals for the Ninth Circuit made and provided, make and file the following assignments of error upon which they will rely in the prosecution of their appeal from the Interlocutory decrees made and entered the 10th day of May, 1938 in the above entitled causes, consolidated for trial and appeal, to-wit:

1. That the court erred in finding plaintiff National Unit Corporation, is the lawful owner of the entire right, title and interest in and to United States Letters Patent No. 2,028,838 granted January 28, 1936 in the name of Henry Kermin together with all rights of action for past infringement thereof.

2. That the court erred in failing to adjudicate claims 2 and 3 of said Letters Patent are anticipated by the prior art, particularly the patents to Oliphant, No. 1,075,268 October 7, 1913, Exhibit I-1; Weatherhead, No. 1,161,557, November 23, 1915, Exhibit I-2; Griffith, No. 1,004,019, September 26, 1911, Exhibit I-3; Cordley, No. 1,260,335, March 26, 1918, Exhibit I-4; Coffin, No. 1,723,229, August 6, 1929, Exhibit I-5; Cox, No. 1,267,635, May 28, 1918, Exhibit I-6; Jacobson et al,

No. 1,787,785, Jan. 6, 1931, Exhibit I-7. Ex. A, 3 legged stand & pump for dispensing mayonnaise.

3. The court erred in holding claims 2 and 3 of the patent in suit good and valid in law as not supported by the evidence and as contrary to law, in that said claims have no novelty over the prior art and do not constitute invention over the prior art.

4. The court erred in finding that within six years last *past* or at any time, the defendants or any of them were engaged in the manufacture or distribution for use of apparatus exemplified by Plaintiff's Exhibit 7; said apparatus including a stand, a container supported on the stand, a feeding device connected to the container and a restraining means co-operating with the feeding device.

5. The court erred in failing to find that the devices manufactured and distributed by defendants do not containing the element claimed in claims 2 and 3 designated as "a restraining means within said stand adapted to engage with said feeding device when said container and feeding device attached thereto is introduced in inverted position into the stand."

6. The court erred in failing to find that the defendants' structure does not contain or incorporate the element of claim 2 nor the mechanical equivalent thereof described in the claim as follows: "said container being stabilized by the top of said stand at a point between the top and base of said container."

7. That the court erred in failing to find that the defendants' device does not contain the element described

in claim 3 as follows: "Said container being supported and stabilized by the outwardly flaring lip of said stand."

8. That the court erred in failing to find that claims 2 and 3 construed to include a restraining means with the single function of restraining the device against movement when operating the pump is without utility in that the claims lack means to support the weight of the container when inserted in inverted position, in that a device constructed according to the language of the claims would permit the container to fall through the *verticle* opening in the wall of the stand.

9. That the Court erred in decreeing an accounting in view of the undisputed fact that the stands are distributed without compensation and none of the defendants derive any direct profit therefrom and there is no showing of any damage to the plaintiff of a character recoverable in this action.

10. The court erred in making and entering the interlocutory decree herein.

Dated this 20th day of May, 1938.

Robert I. Kronick
Charles C. Montgomery
Attorneys for Defendants.

[Endorsed]: Filed May 20, 1938. R. S. Zimmerman.
Clerk By Edmund L. Smith, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

In Equity No. 1183-C

In Equity No. 1184-C

ORDER ALLOWING APPEAL.

The defendants EDWARD E. BRAMLETT, CHARLES R. BRAMLETT, GORDON F. HATCHER and E. DANA BROOKS, and the defendants JULIUS GOLDFARB, MEYER GOLDFARB, V. E. JAMES and E. G. HEIDEN, above named and Appellants herein, having filed a petition for an order allowing an appeal from the interlocutory decrees made and entered herein May 10, 1938, which said petition was accompanied by Assignment of Errors, NOW THEREFORE, on Motion of counsel for said defendants it is hereby

ORDERED that said petition for order allowing an appeal be and the same is hereby granted and said appeal to the United States Circuit Court of Appeals of the Ninth Circuit allowed, and it is further

ORDERED that the defendants' cost bond upon appeal of both cases consolidated be and the same is hereby fixed in the sum of Two Hundred Fifty Dollars (\$250.00) for each case, and it is further

ORDERED that a certified copy of the transcript of the record and proceedings herein in the consolidated cases pertinent to this appeal be forthwith transmitted to the Clerk of the United States Circuit Court for the Ninth Circuit at San Francisco, California.

Dated: May 20 1938.

Geo Cosgrave
United States District Judge

[Endorsed]: Filed May 20, 1938. R. S. Zimmerman,
Clerk By Edmund L. Smith, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

IN Equity No. 1183-C

STIPULATION RE OMITTING TITLES, ETC.

IT IS HEREBY STIPULATED BETWEEN the parties to the above entitled action through their respective counsel, that the Transcript on Appeal heretofore taken by the defendants from the Decree in the above entitled case, need not repeat the titles of the cause in any other paper included in the transcript than the Bill of Complaint and Bond on appeal.

That there may be likewise omitted from the Transcript all endorsements on the backs or covers of such papers, provided that the endorsement as to the filing date in each instance appear and be printed.

IT IS FURTHER STIPULATED AND AGREED that the Petition for Appeal, Assignments of Error, Order Allowing Appeal and fixing Bond for costs, Stipulation as to Book of Exhibits and Stipulation the same as this one, all in Case No. 1184-C, National Unit Corporation, a corporation Plaintiff, vs. Julius Goldfarb, et al., Defendants, need not be copied in the transcript on appeal, inasmuch as they are duplicates of like documents in this case, No. 1183-C, but the same shall be considered as incorporated herein as though again copied into the record.

This stipulation is entered into to save expense and encumbrance of the record and shall be made a part of the record herein.

Dated: September 27 1938.

John Flam
Attorney for Plaintiff-Appellee.

Robert I. Kronick
Charles C. Montgomery
Attorneys for Defendants-Appellants.

[Endorsed]: Filed Sep. 27, 1938. R. S. Zimmerman,
Clerk By Edmund L. Smith, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

In Equity No. 1183-C

BOND ON APPEAL.

KNOW ALL MEN BY THESE PRESENTS:

That we, EDWARD E. BRAMLETT, CHARLES R. BRAMLETT, GORDON F. HATCHER and E. DANA BROOKS, as Principals and LOUIS VITAGLIANO and ANTHONY VITAGLIANO, as Sureties, of the County of Los Angeles, State of California, are held and firmly bound unto NATIONAL UNIT CORPORATION, a corporation in the sum of Two Hundred Fifty Dollars (\$250.00) lawful money of the United States to be paid to it, its respective successors or assigns; for which payment well and truly to be made we bind ourselves and each of us jointly and severally, and each of our heirs, executors and administrators by these presents.

Scaled with our seals and dated this 20th day of May, 1938.

WHEREAS, the above named Edward E. Bramlett, Charles R. Bramlett, Gordon F. Hatcher and E. Dana Brooks have prosecuted an appeal to the United States Circuit Court of Appeals for the Ninth Circuit to reverse the Interlocutory Decree of the District Court for the

Southern District of California, Central Division in the above entitled cause,

NOW THEREFORE, the condition of this obligation is such that, if the above named Edward E. Bramlett, Charles R. Bramlett, Gordon F. Hatcher and E. Dana Brooks, shall prosecute said appeal to effect and answer all costs if they fail to make good their plea, then this obligation shall be void, otherwise to remain in full force and effect.

Edward E. Bramlett

Charles R. Bramlett

Gordon F. Hatcher

E. Dana Brooks

By Julius Goldfarb

Their Agent

Principals

Louis Vitagliano

Anthony Vitagliano

Sureties.

STATE OF CALIFORNIA,)
) ss.
 County of Los Angeles.)

On this 21st day of May, 1938, personally appeared before me Louis Vitagliano and Anthony Vitagliano, respectively known to me to be the persons described in and who subscribed the foregoing instrument as parties thereto, and respectively acknowledged each for himself that he executed the same as his free act and deed for the purposes therein set forth.

And the said Louis Vitagliano and Anthony Vitagliano being respectively by me duly sworn, says each for himself and not one for the other, that he is a resident and freeholder of the said County of Los Angeles, State of California, and that he is worth Five Hundred Dollars (\$500.00) over and above his just debts and legal liabilities and property exempt from execution.

Louis Vitagliano
 Anthony Vitagliano

Subscribed and sworn to before me this 21 day of May, 1938.

[Seal]

P. P. Benjamin
 Notary Public in and for the County of Los Angeles, State of California.

The within bond is approved both as to sufficiency and form this 21st day of May, 1938.

Geo. Cosgrave
 District Judge

[Endorsed]: Filed May 21, 1938. R. S. Zimmerman,
 Clerk By Edmund L. Smith, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

In Equity No. 1184-C

BOND ON APPEAL.

KNOW ALL MEN BY THESE PRESENTS,

That we, JULIUS GOLDFARB, MEYER GOLDFARB, V. E. JAMES and E. G. HEIDEN, as Principals and LOUIS VITAGLIANO and ANTHONY VITAGLIANO, as Sureties, of the County of Los Angeles, State of California, are held and firmly bound unto NATIONAL UNIT CORPORATION, a corporation in the sum of Two Hundred Fifty Dollars (\$250.00) lawful money of the United States to be paid to it, its respective successors or assigns; for which payment well and truly to be made we bind ourselves and each of us jointly and severally, and each of our heirs, executors and administrators by these presents.

Sealed with our seals and dated this 20th day of May, 1938.

WHEREAS, the above named Julius Goldfarb, Meyer Goldfarb, V. E. James and E. G. Heiden have prosecuted an appeal to the United States Circuit Court of Appeals for the Ninth Circuit to reverse the Interlocutory Decree of the District Court for the Southern District of California, Central Division in the above entitled case,

NOW THEREFORE, the condition of this obligation is such that if the above named Julius Goldfarb, Meyer Goldfarb, V. E. James and E. G. Heiden shall prosecute said appeal to effect and answer all costs if they fail to make good their plea, then this obligation shall be void; otherwise to remain in full force and effect.

Julius Goldfarb
Meyer Goldfarb
V. E. James
E. G. Heiden

By Julius Goldfarb, A.

Their Agent

Principals.

Louis Vitagliano
Anthony Vitagliano

Sureties.

[TITLE OF DISTRICT COURT AND CAUSE.]

In Equity No. 1183-C

STIPULATION AS TO BOOK OF EXHIBITS.

IT IS STIPULATED by and between the parties to the above entitled action, through their respective counsel, that the Book of Exhibits, constituting part of the record on appeal and of the Statement of Evidence in the above case, shall include the following:

Plaintiff's Exhibits.

1. Patent No. 2,028,838 to Henry Kermin.
2. Copy of Assignment dated March 14, 1936 from Henry Kermin to Moe Newman and Jennie Newman.
3. Copy of assignment dated March 18, 1937 from Moe Newman and Jennie Newman to National Unit Corporation.
4. Copy of paper entitled "License Agreement" between Moe Newman and Jennie Newman and Dairy Food Products Co.
8. Letter dated March 30, 1936, from Henry Kermin to Foodcraft Company.
9. Letter dated August 6, 1935 from H. Paulis, Inc. to Foodcraft Co.

Defendants' Exhibits.

H	Goldfarb	Patent No. 2,105,646
I-1	Oliphant	Patent No. 1,075,268
I-2	Weatherhead	Patent No. 1,161,557
I-3	Griffiths	Patent No. 1,004,019
I-4	Cordley	Patent No. 1,260,335
I-5	Coffin	Patent No. 1,723,229.
I-6	Cox	Patent No. 1,267,635
I-7	Jacobson	Patent No. 1,787,785
J	Drawing of dispenser.	

At the request of Defendants-Appellants, the Appellants may and shall prepare twelve (12) copies of the herein mentioned book of Exhibits, for the two cases, three of which shall be served with copies of the record in this case upon Plaintiff-respondent, four of which are to be retained by the Defendants, four of which, in addition to copy on which service is acknowledged, are to be filed with the Clerk of the United States Circuit Court of Appeals to accompany the Record on Appeal.

With respect to the book of exhibits herein mentioned, the only markings that need be applied to the individual copies of Exhibits included are: 1. The clerk's filing stamp; 2. The number of the Exhibit.

IT IS FURTHER STIPULATED that said book of Exhibits may be printed separately from, but as part of the Condensed Statement, printed copies of the patents may be obtained from the Patent Office or photostatic

copies thereof, and that said Book of Exhibits shall be a part of the Condensed Statement of the Evidence.

IT IS FURTHER STIPULATED that the following Exhibits may be transmitted as physical exhibits:

Plaintiff's Exhibits.

- 5 Mayonnaise dispenser.
- 6 Paper container
- 7-A Black feeder.
- 7-B Jar.
- 7-C Stand.
- 10 Milk Bottle.

Defendants' Exhibits.

- A Dispenser
- B Dispenser
- C Dispenser.
- D Stand with guide missing.
- E Guide, marked No. 26.
- F Pump or dispenser.
- G Stand with front part cut open from top to bottom.
- K Dispenser device.
- L Stand.

Dated: September 27 1938.

John Flam
Attorney for Plaintiff-Appellee.

Robert I. Kronick
Charles C. Montgomery
Attorneys for Defendants-Appellants

[Endorsed]: Filed Sep. 27, 1938. R. S. Zimmerman,
Clerk By Edmund L. Smith, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

In Equity No. 1183-C

In Equity No. 1184-C

DESIGNATION OF CONTENTS OF RECORD
ON APPEAL.

TO THE CLERK OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA, CENTRAL DIVISION.

Please prepare transcript of Record on Appeal in the above entitled actions and transmit such record to the Clerk of the United States Circuit Court of Appeals at San Francisco, California, including therein,

From Case No. 1183-C

1. Complaint.
2. Answer.
3. Stipulation for use of printed or photostat copies of Patents.
4. Findings of Fact and Conclusions of law.
5. Interlocutory Decree.
6. Petition for order allowing Appeal.
7. Assignment of Errors.
8. Bond on Appeal.
9. Order allowing appeal.
10. Citation on Appeal.

11. Stipulation re omitting Title of cause and endorsements and re omitting from case No. 1184-C Petition for Appeal, Assignment of Errors, Order allowing Appeal and Fixing Bond for Costs, Stipulation as to Book of Exhibits and Stipulation the same as this one, being duplicates of documents in 1183-C except heading.

From Case No. 1184-C

1. Complaint.
2. Answer.
3. Stipulation for use of printed or photostat copies of Patents.
4. Stipulation and Order Transferring case for Trial.
5. Findings of Fact and Conclusions of law.
6. Interlocutory Decree.
7. Bond on Appeal.
8. Citation on Appeal.
9. Condensed Statement of Evidence, including by reference Exhibits and Book of Exhibits.
10. Stipulation settling record on Appeal.
11. Book of Exhibits and Stipulation Regarding same.
12. This Designation of Contents of Record on Appeal.

Dated: September 27 1938.

John Flam

Attorney for Plaintiff-Appellee.

Robert I. Kronick

Charles C. Montgomery

Attorney for Defendants-Appellants.

[Endorsed]: Filed Sep. 27, 1938. R. S. Zimmerman, Clerk By Edmund L. Smith, Deputy Clerk.

[TITLE OF DISTRICT COURT AND CAUSE.]

No. Eq. 1183-C

No. Eq. 1184-C

PRAECIPE.

TO THE CLERK OF SAID COURT:

SIR:

Please issue 40 printed copies of transcript on appeal.

Charles C. Montgomery
Atty. for Appellants.

Filed Oct. 12, 1938.

[TITLE OF DISTRICT COURT AND CAUSE.]

CLERK'S CERTIFICATE.

I, R. S. Zimmerman, clerk of the United States District Court for the Southern District of California, do hereby certify the foregoing volume containing 165 pages, numbered from 1 to 165, inclusive, together with volume two, Book of Exhibits, to be the Transcript of Record on Appeal in the above entitled cause, as printed by the appellants, and presented to me for comparison and certification, and that the same has been compared and corrected by me and contains a full, true and correct copy of the original citations; complaints; answers; stipulations regarding exhibits; findings of facts and conclusions of law; interlocutory decrees; stipulation and order transferring case for trial; condensed statement of evidence, consolidated cases; petition for order allowing appeal; assignment of errors; order allowing appeal; stipulation re omitting titles, etc., bonds on appeal; stipulation as to Book of Exhibits; praecipe, and exhibits contained in Book of Exhibits.

I DO FURTHER CERTIFY that the amount paid for printing the foregoing record on appeal is \$ and that said amount has been paid the printer by the appellants herein and a receipted bill is herewith enclosed, also that the fees of the Clerk for comparing, correcting and certifying the foregoing Record on Appeal amount to..... and that said amount has been paid me by the appellants herein.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Seal of the District Court of the United States of America, in and for the Southern District of California, Central Division, this..... day of October, in the year of Our Lord One Thousand Nine Hundred and Thirty-eight and of our Independence the One Hundred and Sixty-third.

R. S. ZIMMERMAN,

Clerk of the District Court of the United States of America, in and for the Southern District of California.

By

Deputy.

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

EDWARD E. BRAMLETT, CHARLES R. BRAMLETT, GORDON
F. HATCHER, E. DANA BROOKS, JULIUS GOLDFARB,
MEYER GOLDFARB, V. R. JAMES and E. G. HEIDEN,
Appellants,

vs.

NATIONAL UNIT CORPORATION, a corporation,
Appellee.

OPENING BRIEF FOR APPELLANTS.

CHARLES C. MONTGOMERY,
810 Title Guarantee Bldg., Los Angeles,
ROBERT I. KRONICK,
810 Union Bank Bldg., Los Angeles,
Attorneys for Appellants.



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No. 9014.

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

EDWARD E. BRAMLETT, CHARLES R. BRAMLETT, GORDON
F. HATCHER, E. DANA BROOKS, JULIUS GOLDFARB,
MEYER GOLDFARB, V. R. JAMES and E. G. HEIDEN,
Appellants,

vs.

NATIONAL UNIT CORPORATION, a corporation,
Appellee.

OPENING BRIEF FOR APPELLANTS.

Statement of Jurisdictional Facts.

On this appeal, two cases are involved brought by National Unit Corporation for alleged infringement of claims 2 and 3 of patent No. 2,028,838 to Henry Kermin [R. 7, par. VIII, and 29, par. VIII], on a mayonnaise dispenser.

The District Court had jurisdiction under Judicial Code, section 48; 28 U. S. C., section 109.

Interlocutory Decrees were entered May 10, 1938.

The Interlocutory Decree is one case found that the defendants, Edward E. Bramlett, Charles R. Bramlett, Gordon F. Hatcher and E. Dana Brooks had infringed claims 2 and 3 of said Letters Patent by distributing and supplying for use, apparatus as exemplified by Plaintiff's Exhibit 7. [R. 22, par. 3.]

A similar decree was entered in the other case finding that the defendants Julius Goldfarb and Meyer Goldfarb had infringed by making, distributing and supplying for use, apparatus exemplified by Exhibit 7. [R. 49, par. 3.]

This appeal is prosecuted under Judicial Code, section 129, 28 U. S. C., section 227a.

Statement of the Case.

The Kermin patent in suit [Ex. Bk. p. 1] relates to a container (the preferred form being capable of being destroyed after use), and to a dispensing means whereby the contents of the container may be discharged in increments without subjecting the containers to the action of the air or contamination from other sources. [Ex. Bk. p. 5, Col. 1, lines 1-6.]

The device in preferred form consists (1) of a truncated cone stand with a vertical opening extending the whole length of its side, and a horizontal rest spaced from the bottom, (2) a parchmientized paper truncated cone container and (3) a pump attached to the smaller end of the container.

The container is inverted to pass through the top opening of the stand. The vertical opening of the stand accommodates the passage of the pump handle and allows a receptacle to be placed beneath the pump. When in place the weight of the container with its contents and pump is supported by the horizontal rest 3. This support also locks the container against movement at that point when the pump is used, while the top outwardly flared lip of the stand stabilizes the assembly above.

The defendants' device consists (1) of a truncated cone stand with a partial side opening without any horizontal or other rest below, (2) an inverted container of glass instead of the preferred composition described in the patent, and (3) a pump attached to the container. It is stabilized by a guide attached to the back of the stand into which the back end of the pump, slides vertically.

The prior art shows, in various combinations, stands supporting inverted containers with dispensing means attached.

The Oliphant patent, Ex. I-1 [Bk. Ex. p. 23] is the closest to the structures here involved, consisting (1) of a truncated cone shaped stand with a partial vertical opening in its side, (2) an inverted truncated cone shaped bottle or container and (3) a dispensing means attached to the container.

The Claims in Issue.

Claims 2 and 3 in issue read as follows:

“2. An apparatus for storing and discharging mayonnaise and the like, comprising: a stand having an enlarged bottom and a restricted top, *a substantially vertical opening in the wall of said stand*, a container provided with an enlarged base and a restricted top portion having an opening therein, a feeding device removably attached to the top of said container, and *a restraining means within said stand adapted to engage with said feeding device* when said container and feeding device attached thereto is introduced in inverted position into the stand through said restricted top and vertical wall opening, *said container being stabilised by the top of said stand at a point between the top and base of said container.*”

“3. An apparatus for storing and discharging mayonnaise and the like, comprising: a stand having an enlarged bottom and a restricted top provided with an upwardly and outwardly flaring lip, *a substantially vertical opening in the wall of said stand*, a container provided with an enlarged base and a restricted top portion having an opening therein, a feeding device removably attached to the top of said container, and *a restraining means within said stand adapted to engage with said feeding device* when said container and feeding device attached thereto is introduced in inverted position into the stand through said restricted top and vertical wall opening, *said container being supported and stabilised by the outwardly flaring lip of said stand.*”

Basis of Appeal.

1. That the claims of the patent in suit are invalid for anticipation and having no novelty or invention over the prior art, and because the structure, as claimed, lacks utility;

2. That the defendants' device does not infringe, in that their devices do not contain the vertical opening in the wall of the stand with a restraining means of the character called for by the patent; and they are not stabilized by the top of the stand at a point between the top and base of the container, but on the contrary are entirely supported there, and are stabilized by a separate device, which may be omitted and still leave a useful device.

3. No accounting should be demanded in view of the undisputed evidence that the stands are distributed without compensation and none of the defendants derive any direct profit therefrom, and there is no showing of any damage to plaintiff of a character recoverable in this action.

Assignments of Error Relied Upon.

Assignments of Error 2, 3 and 8 are directed to invalidity of claims 2 and 3. [R. pp. 148, 149, 150.]

Assignments of Error 4, 5, 6 and 7 are directed to non-infringement. [R. pp. 149, 150.]

Assignment of Error 9 is directed to decreeing an accounting. [R. p. 150.]

ARGUMENT.

I.

Claims 2 and 3 Are Invalid for Anticipation, for Lack of Novelty and Invention Over the Prior Art, and for Lack of Utility.

1. ANTICIPATION.

Assignment of Error 2.

“2. That the court erred in failing to adjudicate claims 2 and 3 of said Letters Patent are anticipated by the prior art, particularly the patents of Oliphant, No. 1,075,268, October 7, 1913, Exhibit I-1; Weatherhead, No. 1,161,557, November 23, 1915, Exhibit I-2; Griffith, No. 1,004,019, September 26, 1911, Exhibit I-3; Cordley, No. 1,260,335, March 26, 1918, Exhibit I-4; Coffin, No. 1,723,229, August 6, 1929, Exhibit I-5; Cox, No. 1,267,625, May 28, 1918, Exhibit I-6; Jacobson *et al.*, No. 1,787,785, Jan. 6, 1931, Exhibit I-7. Ex. A, 3 legged stand & pump for dispensing mayonnaise.”

The essential elements of plaintiff's combination are stated in the patent as follows:

“The essential elements of my combination are, a stand adapted to receive and hold a dispenser, together with a container which is also supported by said stand.” [Bk. Ex. p. 6, Col. 2, lines 16-20.]

All of the patents set out in the above quoted assignment of error 2 contain these essential elements, a stand adapted to receive and hold a dispenser, together with a container which is also supported by said stand.

Olipphant [Ex. Bk. p. 24] has the particular form of stand now sought to be monopolized by plaintiff, a truncated cone with a vertical opening in the side and an inverted, truncated cone container with dispensing means attached.

Jacobson supports his container at the top. [Ex. Bk. p. 62.]

Weatherhead [Ex. Bk. p. 28] and Cordley [Ex. Bk. p. 36] have 2 and 3 legged stands.

All the devices have “restraining means” in that they are held rigid by some means or other.

Griffith [Ex. Bk. p. 32] holds his bottle at the bottom like plaintiff with his rest 3, and stabilizes with the band S-1.

Cordley [Ex. Bk. p. 36] has part 41 attaching the dispenser to the frame.

Coffin [Ex. Bk. p. 46] screws his dispenser into the frame threaded collar 5.

In view of the prior art it only required mechanical adaptation of well known devices and no inventive genius to adopt from the prior art devices, the aggregation of which is now claimed by plaintiff as his invention.

In *Lincoln Engineering Co. of Illinois v. Stewart-Warner Corp.*, 302 U. S. 682, 82 L. Ed., Adv. Ops. Oct. Term, 1937, 695, 697, the court said:

“A compressor or pump for propelling lubricant is old and unpatentable as such. The invention, if any,

which Butler made was an improvement in what he styles in his specification the 'chuck' and in his claim a 'coupling member.' It is not denied that multi-jawed chucks had been used in industry and as couplers in lubricating apparatus. Butler may have devised a patentable improvement in such a chuck in the respect that the multiple jaws in his device are closed over the nipple by the pressure of the grease, but we think he did no more than this.

As we said of Gullborg in the *Rogers* case, having hit upon this improvement he did not patent it as such but attempted to claim it in combination with other old elements which performed no new function in his claimed combination. The patent is therefore void as claiming more than the applicant invented.

The mere aggregation of a number of old parts or elements which, in the aggregation, perform or produce no new or different function or operation than that theretofore performed or produced by them, is not patentable invention."

2. LACK OF NOVELTY AND INVENTION.

Assignment of Error 3.

"3. The court erred in holding claims 2 and 3 of the patent in suit good and valid in law as not supported by the evidence and as contrary to law, in that said claims have no novelty over the prior art and do not constitute invention over the prior art."

Every feature of plaintiff's device appears in various forms in the prior art. The main elements appear in several. Any mechanic would have no difficulty in adapting these devices to meet any need that might arise because of the size of the container, or the character of the material to be handled. Any problem that might arise could be solved by an ordinary person and would not require inventive thought, or even more than quite ordinary mechanical skill.

In 1932, several years before plaintiff's patent application, a three-legged stand was devised by Mr. Sam Rubin, who used it in San Pedro himself to fill glasses. He used it for filling and especially for glasses, for mayonnaise. He put a funnel on top made of stainless steel which fitted on the open part on the top of the stand. [Tr. p. 138.] This stand with pump attached is Defendants' Exhibit A.

Mr. Goldfarb bought Exhibit A about 1933, the first part of 1933 and it was used until two years ago when the Goldfarbs put in an automatic filling machine. [Tr. p. 140.]

Mr. Goldfarb testified that Mr. Kermin (patentee herein) came down to their place of business while this Defendants' Exhibit A was in use. [Tr. pp. 139, 140.]

A photograph of this Exhibit A appears on the left hand side of picture No. 1 on the page opposite. It is the larger of the two three-legged stands appearing in that picture. The small right hand stand is the three-legged support adapted by patentee in 1935 as the rest 3 of his patent.

Picture No. 2 shows the function of patentee's three-legged stand, supporting a container with his dispensing means or pump.

The container of plaintiff is like the funnel or hopper used by Rubin and Goldfarb and others prior to plaintiff's conception.

Mr. Kermin says:

“The first idea was the container, a conical-shaped container that could be sealed at one end, and also be refilled at one end if necessary.” [Tr. p. 70.]

Later, in describing a hopper for distributing mayonnaise, he says:

“The container used was a hopper. The hopper was an inverted cone, something of that nature, like many hoppers are. We used something similar. The hopper was fastened to the dispensing machine.” [Tr. pp. 74-5.]

In other words, a conical shaped container that could be sealed at one end, such as he describes in his patent, is merely an inverted cone hopper like many hoppers are, sealed at one end. So the only additional feature that Kermin added to the hopper mayonnaise dispensing device, was surrounding the device in reduced size with an ornamental stand so that it might be placed upon a counter of a distributing concern.



1
3 legged support of defendant 1933 (Tr.140) At right 3 legged support adapted by plaintiff 1935



4
Plaintiff's assembly of support, pump, container and ornamental stand.



2
Plaintiff's 3 legged stand supporting weight of container and pump.



5
Both assemblies. Defendant has no supporting stand, relying on closed top of surrounding stand to support weight.



3
Same as 2 with ornamental stand to stabilize and beautify the device.



6
Illustration of inutility of plaintiff's device by omission of 3 legged support.

The device used by Mr. Sam Rubin as shown in picture No. 1, Defendants' Ex. A, has all the necessary features for dispensing mayonnaise, to-wit: a stand, a pump or feeding device and a container (not shown) consisting of a hopper in shape of an inverted cone, open at both ends.

Picture No. 4, opposite page 10, shows the plaintiff's complete assembly of support, pump, container and ornamental stand. At the right hand side is a picture of the stand alone, with horizontal rest within.

Mr. Kermin testified when asked as to his problems in making up a stand to hold the container with the dispenser attached, that he "naturally . . . had to cut a sort of opening or channel to allow the dispenser unit to go through." [Tr. p. 62.]

Upon cross-examination he testified:

"Q All you had to do was to put a support or brace across here to hold it solid, wasn't it?

A That would be a precaution.

Q So there wasn't any problem on that end?

A There wasn't any problem. We devised many different ways of doing that. We had other things to consider.

Q To take this method of attachment: You have seen lots of glass jars with similar contrivances, haven't you, where you can screw it on?

A Yes, there are lots of them on the market."
[Tr. p. 83.]

"Q Wasn't your difficulty in getting your threaded portion onto the top?

A My first idea was to use metal, so I didn't run into any difficulty until I decided that paper would be the better means.

.

Q You didn't use a glass container until after Goldfarb came on the market with his, did you?

A I first rejected it and then used it. I am rejecting it right now, and we are getting away from glass again.

Q You didn't begin to use the black dispensing means, that is, the pump of this black material, until after you had seen his, did you?

A That was our first experiment, with the black, and we rejected it because of the odor of the material, and until they developed the material and recommended it.

Q But you used white?

A Yes. That would be better looking.

Q You use black now?

A Yes.

Q When did you take it on? After Goldfarb, wasn't it? After Goldfarb showed it could be used, then you adopted it?

A Yes, I am a copy cat, I guess." [Tr. pp. 84, 85.]

.

"The first time I used a glass container was in the early part of 1937 I believe." [Tr. p. 71.]

One reason for using a supporting means, the three-legged stand 7, at the bottom of the conical stand, is on account of the character of the material of which the container is to be made, being preferably of parchmented paper or waterproof board.

The patent reads:

“The container 42 is preferably of parchmented paper or waterproofed board and is conical in form. The base of the container may be formed of a fiber-board disc 43 provided with a beveled edge, said disc being inserted into the base of the cone and stapled thereto as indicated at 44. If desired, an insoluble adhesive may also be used.” [Bk. Ex. p. 6, Col. 1, lines 34-40.]

In view of the prior practice of supporting an inverted container with dispenser on a three-legged stand and of the Oliphant patent with a conical stand with vertical opening, there was no invention or novelty in plaintiff's patent.

Pennington et al. v. National Supply Co., 5 Cir., 95 Fed. 2d. 291 holds:

“The size and location of a receptacle for a free running lubricant in a rotary drilling rig for oil and other deep well drilling is a matter involving mechanical skill at most, and invention could not reside in increase in capacity or change in location, where system of lubrication remained essentially the same as in inventor's modification of existing machine.” (Headnote 5.)

3. LACK OF UTILITY.

Assignment of Error 8.

“8. That the court erred in failing to find that claims 2 and 3 construed to include a restraining means with the single function of restraining the device against movement when operating the pump

is without utility in that the claims lack means to support the weight of the container when inserted in inverted position, in that a device constructed according to the language of the claims would permit the container to fall through the vertical opening in the wall of the stand.”

The 6th picture opposite page 10, illustrates the inutility of plaintiff's device when omitting the three-legged support. A glass container has been put in the opening of the metal stand, which is open down the front, allowing this container to fall through unless some other means is used to hold it in place.

Unless claim 2 in describing “a restraining means within said stand adapted to engage with said feeding device when said container and feeding device attached thereto is introduced in inverted position into the stand through said restricted top and vertical wall opening” intends to cover a restraining means of the character described in the patent to support the major portion of the weight of the container and pump, there is not sufficient support for said container and pump and the device lacks utility. The same is true of claim 3. With a substantially vertical opening in the wall of the stand, there must be something to prevent the container from forcing its way out thru the opening when weighted by the mayonnaise and the pump attached.

II.

Defendants Do Not Infringe.

Assignment of Errors 4, 5, 6, and 7.

“4. The court erred in finding that within six years last past or at any time, the defendants or any of them were engaged in the manufacture or distribution for use of apparatus exemplified by Plaintiff’s Exhibit 7; said apparatus including a stand, a container supported on the stand, a feeding device connected to the container and a restraining means cooperating with the feeding device.”

“5. The court erred in failing to find that the devices manufactured and distributed by defendants do not contain the element claimed in claims 2 and 3 designated as ‘a restraining means within said stand adapted to engage with said feeding device when said container and feeding device attached thereto is introduced in inverted position into the stand.’”

“6. The court erred in failing to find that the defendants’ structure does not contain or incorporate the elements of claim 2 nor the mechanical equivalent thereof described in the claim as follows: ‘said container being stabilized by the top of said stand at a point between the top and base of said container.’”

“7. That the court erred in failing to find that the defendants’ device does not contain the element described in claim 3 as follows: ‘Said container being supported and stabilized by the outwardly flaring lip of said stand.’”

In the finding of infringement, the apparatus is described as “a stand, a container supported on the stand, a feeding device connected to the container and a restrain-

ing means co-operating with the feeding device.” Assignment of error 4 is directed to this finding. It is too broad. The prior art discloses several devices having this complete combination.

Ex. A shows the stand upon which a container was supported, and a feeding device connected to the container and a restraining means co-operating with the feeding device. The vertical pump is attached to the stand and thus restrained the same as in plaintiff’s patent.

Griffith, Ex. I-3 [Bk. Ex. p. 32] has a stand, container and dispenser held at the bottom and thus restrained, the same as plaintiff.

Cordley, Ex. I-4 [Bk. Ex. p. 36] has a stand, container and dispenser attached to the frame and thus restrained.

Coffin, Ex. I-5 [Bk. Ex. p. 46] has a stand, container and dispenser screwed into collar of the stand which has the container screwed in above.

Cox, Ex. I-6 [Bk. Ex. p. 56] has the three elements with restraining means bolted to the stand.

In view of the prior art, the patent must be considered of narrow scope and confined to the specific device described in the claims.

The specific features by which defendants’ device is distinguished from the plaintiff’s combination are (1) it has no vertical opening in the side of the stand,—the partial opening in the lower part of the wall of defendants’ stand is the same as in the Oliphant patent [Ex. Bk. 23]; (2) there is no “restraining means” of the particular type described in plaintiff’s patent; (3) the stabilizing means of defendants is the back guide instead of the top of the stand as called for in plaintiff’s claims.

1. THE VERTICAL OPENING IN THE WALL OF THE STAND
IS NOT IN DEFENDANTS' DEVICE.

One of the features of both the claims in issue is the vertical opening running from top to bottom of the metal ornamental stand.

The effect of the vertical opening in the plaintiff's device is so to weaken the structure as to require the horizontal rest to carry the weight of the container and stiffen the structure. Without the horizontal rest the effect of plaintiff's vertical opening under the pressure of the container with the material weighting it, would be to cause a distortion and a spreading of the stand, allowing the container to pass through and fall down.

Where the container is made of parchmented paper, conical in form, as specified in the patent, it is not desirable to put any pressure against the sides of the container for fear of collapsing it. Hence the horizontal support of plaintiff is put underneath the pump. The top of the stand supports a very small part of the weight and prevents the stand from wobbling by holding it in balanced condition.

Where a glass container is used, no such construction is necessary, as the glass container is very strong and may be entirely supported by the ring or flare at the top of the metal stand.

Defendants follow the teaching of the Oliphant patent, which it has modified only to an extent which would not constitute invention, providing means for the passage of the projecting part of the pump in that portion of the wall of the support above the opening at one side, and a guide means to stabilize the structure when pumping.

Mr. Schneider testified for defendants:

“We made our stand in the shape it is to balance it. We had to keep in mind that we had to get something out that would look pretty nice for display purposes, and as long as we were having a bottle of that shape we arrived at something similar to that, so that it would balance it. The stand is practically a reversal of the glass jar, with a few different changes it is practically a duplicate of the jar itself.” [Tr. p. 104.]

The defendants' channel at the top of the stand is not an opening in the outer wall, but is a part of the outer wall of the stand, in order to make a complete closure of the wall at the top for the support of the glass container.

Defendants' channel closing the upper part of the opening of his supporting stand is not the equivalent of the vertical opening of patentee's device, because it requires a different structure and different arrangement of parts from that of the plaintiff in order to become effective. The top of defendants' stand furnishes the weight support for the container and separate means is attached to the back of the stand to hold the pump steady when in operation. It is true that defendants' channel allows the passage of the pump handle attached to the container down through the top opening of the stand, the same as the patentee's vertical opening, but this is an obvious means for such passage way.

2. THE RESTRAINING MEANS DIFFER.

Defendants' guide is not the mechanical equivalent of the restraining device or rest of patentee's structure. It furnishes no support for the weight of the container as plaintiff's rest does, nor does it strengthen the stand as the cross bars and legs of patentee's rest do. Defendants' guide merely prevents the wobbling of the device which in patentee's device is accomplished by the rim of the top of the stand.

If the flared stand does not fit the container with sufficient tightness to prevent wobbling, then, as testified by Mr. Schneider, a device which the "foreman of the shop figured out" [Tr. p. 103] equivalent to a hand holding something was put in

"just like two fingers holding it. Part of the pump sides in these grooves and keeps it in place. It is a guide. That pump is the part that fits right in. It holds it in place and keeps it from moving in this direction or that direction and the horizontal movement is restrained." [Tr. p. 104.]

3. THE STABILIZING AND SUPPORTING MEANS DIFFER.

Referring back to picture No. 5, opposite page 10, it will be seen:

On the left hand side of picture 5 is defendants' assembly with the glass container supported without the three-legged stand or any equivalent. The glass container is supported wholly by the top flaring lip of the metal stand, the same as in Oliphant. [Bk. Ex. p. 23.]

The method of stabilizing the container in the two devices is essentially different in that defendants stabilize at the back of the pump by a guide member on the side of the stand, while patentee stabilizes at the top by the outward flaring lip of the stand, preventing the container supported on the horizontal rest below from tipping or wobbling.

Mr. Kermin (patentee) says with regard to defendants' guide member:

“As used there, I would say a restraining means. Restraining the apparatus or the dispenser and container from moving. It was to keep it from wobbling—from moving in a horizontal position.

Q Which is the thing that keeps it from wobbling?

A This guard in back.

Q The device in the back end of it, or up at the top?

A The top supports it; the restraining device keeps it from wobbling; if that is the interpretation you are looking for, that is the way to interpret it.”
[Tr. p. 81.]

Defendants' apparatus does not contain the element of claim 2 “such container being stabilized by the top of said stand at a point between the top and base of the container.” [R. p. 6, lines 54-57, 2nd Col.] Nor does it contain the element of claim 3 “said container being supported and stabilized by the additional flaring lip of said stand.” Defendants' stabilizer is the guide member.

4. DEFENDANTS FOLLOW OLIPHANT'S TEACHINGS WITH OBVIOUS MODIFICATIONS OF MECHANICAL NATURE TO ADAPT IT FOR DISPENSING MAYONNAISE.

Oliphant [Ex. Bk. p. 24], like the defendants' stand, does not have a vertical opening extending from top to bottom, but is closed at the top to furnish the support for the inverted container by the top collar.

Considering the Oliphant device, it would not involve any invention to modify this device by cutting the opening clear through the wall from top to bottom and provide other means of stiffening. Mr. Kermin testified on direct examination as to his devising his dispensing device

“but when I attempted to put the dispenser unit over it (the stand) it (the pump) stuck out so I could not get past this restriction and *naturally* I had to cut sort of an opening or channel to allow the dispenser unit to go through.” [Tr. p. 62.]

If one desired to adapt the Oliphant device to hold a container with a pump attached and the pump would not go through “naturally (he) had to cut a sort of an opening or channel to allow the dispenser unit to go through.” That is what the defendants did in their device, reinforcing it by a covering in the form of a channel, leaving the original rigidity of the upward flaring collar unaffected. Providing an additional space for the passage of an article having an extension too big to pass through the original space existing, is not invention. If making an open cut like patentee's vertical opening, weakens the wall of the stand, then obviously it should be braced in such a way as to give the necessary support.

When the pumping caused the inverted container to wobble then “the foreman of the shop figured out” [Tr.

p. 103] a groove guide for the rear of the pump to hold it steady.

The patentee and defendants developed their devices from different prior structures. The patentee started with the old hopper with its three-legged stand and pump, Ex. A, while defendants adapted Oliphant to their needs.

This Circuit Court of Appeals in a recent case used language pertinent to the present situation in *International Harvester Co. v. Killifer Mfg. Co.*, 9. Cir., 67 Fed. (2d) 54, 60, 62:

“It is logical to assume that the defendants developed their present harrow by working from this structure to the new much in the same manner that Warne worked from his prior structure to the new” (p. 60).

“. . . ‘It is not the result, effect, or purpose to be accomplished which constitutes an invention, but the mechanical means or instrumentalities by which the object sought is to be attained. Patents cover the means employed to effect results.’ *Kohler v. Cline Electric Mfg. Co.* (D. C.), 28 F. (2d) 405, 406. ‘The thing patented is the particular means devised by the inventor by which that result is attained, leaving it open to any other inventor to accomplish the same result by other means.’ *Electric R. Signal Co. v. Hall Ry. Co. Signal Co.*, 114 U. S. 87, 5 S. Ct. 1069, 1075, 29 L. Ed. 96.

In *Eaid v. Twohy Bros. Co.*, 230 Fed. 444, 447, this court also said:

‘Being a mere improvement on the prior art, McConnell is only entitled to the premise devices described and claimed in his patent, and if the devices embodied in the Chandler patent can be differentiated, it is clear that the charge of infringement cannot be maintained. Such is the well-established law.’”

III.

No Accounting Should Be Decreed.

Assignment of Error 9.

“9. That the court erred in decreeing an accounting in view of the undisputed fact that the stands are distributed without compensation and none of the defendants derive any direct profit therefrom and there is no showing of any damage to the plaintiff of a character recoverable in this action.”

Any damages suffered by plaintiff, although they might be irreparable in their nature, thus entitling plaintiff to the injunction, would be general damages of such an indefinite character that no recovery may be had. It was to grant some relief in just such cases as this that equity first evolved relief by injunction.

Plaintiff Cannot Recover Profits Derived by Defendants From Sales of Mayonnaise, a Common Article of Commerce, Not Within the Monopoly Granted by Plaintiff's Patent.

The Writ of Perpetual Injunction prohibits manufacture, distribution, use, etc., of “any apparatus exemplified by Plaintiff's Exhibit 7, or any apparatus embodying the invention claimed in claims 2 and 3, and from offering or advertising so to do, and from aiding or abetting or in any way contributing to the infringement of either of said claims of said patent.” Nothing is said concerning manufacture or sale of mayonnaise.

Defendants are free to do today what they did with impunity in the past. free to deal in mayonnaise, a common article of commerce.

The sale of mayonnaise in conjunction with the use of the dispensers is neither the subject for accounting of profits nor in effect a contributory infringement of the patent, because a common article of commerce sold for use in conjunction with a patented device is nevertheless free from the monopoly of the patent.

Carbice Corp. v. American Patents Corp., 283 U. S. 27, 75 L. Ed. 819.

In *Bradford v. Belnap Motor Co.* (Maine), 105 Fed. 63, 65, 66, the court said:

“It is a well settled rule that neither equity nor admiralty will proceed for nominal damages only. . . . Equity will maintain the right to give value, but it will not, as will the common law, proceed to an assessment of damages which are vague, uncertain or nominal in amount, so that it is not improbable that, in any event, the complainant could only be entitled to an injunction.”

In *American Box Co. v. Crossman*, 57 Fed. 1024, 1029, an accounting was refused where it appeared that defendants had made no profits on account of the patented feature “and” as said by the court,

“while it is very probable that unrestricted sale would eventually seriously impair the trade of complainant, which fact is the basis of jurisdiction in this case, yet the proofs lack specific evidence of actual damage already suffered.”

In *Southern Textile Machinery Co. v. Fay Stocking Co.* (6 Cir.), 259 Fed. 243, it was held:

“In suit for infringement of patent, before any accounting is ordered for profits, as distinguished

from such damages as might be shown by any of the accepted measures, the trial court should be satisfied there is some theory of recovering profits plausible enough to justify an effort to establish it.”

In *Perkins Electric S. Mfg. Co. v. Yost E. Mfg. Co.* (N. D., Ohio), 189 Fed. 625, at page 627, the court said:

“Without going more into the detail of this situation, we are of the opinion that this is one of the cases wherein the language of the court in *Merriam Company v. Ogilvie*, 170 Fed. 167, 95 C. C. A. 423, that ‘an inquiry as to damages or profits would . . . yield no compensatory profits or damages proportionate to the cost of the investigation,’ described the situation very clearly, and that, therefore, further litigation on this subject ought not to be indulged in. An order for accounting, will, therefore, be refused.”

The decree should be reversed and judgment given defendants with costs.

CHARLES C. MONTGOMERY,
ROBERT I. KRONICK,

Attorneys for Appellants.



In the United States
Circuit Court of Appeals
For the Ninth Circuit. 8

EDWARD E. BRAMLETT, CHARLES R. BRAMLETT, GORDON
F. HATCHER, E. DANA BROOKS, JULIUS GOLDFARB,
MEYER GOLDFARB, V. R. JAMES and E. G. HEIDEN,
Appellants,

vs.

NATIONAL UNIT CORPORATION, a corporation,
Appellee,

BRIEF FOR APPELLEE.

JOHN FLAM,
548 South Spring St., Los Angeles, Calif.,
Attorney for Appellee.



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No. 9014.

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

EDWARD E. BRAMLETT, CHARLES R. BRAMLETT, GORDON
F. HATCHER, E. DANA BROOKS, JULIUS GOLDFARB,
MEYER GOLDFARB, V. R. JAMES and E. G. HEIDEN,
Appellants,

vs.

NATIONAL UNIT CORPORATION, a corporation,
Appellee,

BRIEF FOR APPELLEE.

STATEMENT OF THE CASE.

This case involves infringement of patent 2,028,838 for a container and dispenser (Book of Exhibits, pp. 1 to 7), and particularly as regards claims 2 and 3 thereof.

Appellants argue that the decree should be reversed, alleging that the lower court erred in finding the patent valid and infringed.

The Patent in Suit.

The patent describes and claims a structure for facilitating the distribution of viscous material, such as mayonnaise, from a closed container 42 (Figs. 1, 2 and 3).

The objects of the invention are well stated on page 1 of the patent (Book of Exhibits, p. 5) in the following language:

“The invention is particularly directed toward a container and dispensing means whereby a relatively viscous fluid or emulsion such as mayonnaise, may be dispensed in a sanitary manner and all of the contents of the container removed therefrom without exposing such contents to contaminating influences.

“Heretofore, bulk materials such as mayonnaise, have been dispensed from crocks or jars into which a utensil such as a spoon, was dipped in order to withdraw the desired quantity. During such withdrawal, the contents of the container were exposed to the atmosphere, permitting various forms of impurities, dust, etc., to be deposited therein. Furthermore, it was extremely difficult, if not impossible, to remove all of the contents of such containers.”

“* * * Furthermore, during the dispensing operation, the mayonnaise is discharged from the container into the smaller package delivered to the ultimate consumer but at no time is the bulk of the mayonnaise exposed to contaminating influences. Moreover, the dispensing unit is readily removable from the container for sterilizing purposes.”

“It is to be remembered that in the transportation and handling of a product such as mayonnaise, the product needs be handled with care as it is possible to cause separation of the ingredients constituting the

product by undue agitation or the like. For this reason, the dispensing apparatus has been particularly designed to permit the discharge of quantities of mayonnaise from a container without subjecting it to undue agitation or changes in pressure.” (Page 1, column 1, lines 7 *et seq.*)

In order to insure cleanliness, the patentee provides a container 42 that is capable of holding as much as five gallons. (Book of Exhibits, p. 6, column 1, lines 58 *et seq.*) These containers are shown as conical, and have an opening at the small end for filling and emptying. They may be appropriately sealed in a temporary manner at the factory, for transportation to a retailer.

For purchases in small quantities, such as pints or quarts, the retailer is enabled to withdraw the desired amount from the large container 42. For this purpose, use is made of a “feeder” or “pump” 10 (Book of Exhibits, Fig. 3, p. 2) which has screw threads 40 adapted to be threaded in a tight manner on the small open end of the “cone” 42. This feeder has a handle 25, for operating a plunger 23 in a horizontal direction, for forcing mayonnaise out through a discharge spout 17. This spout (Book of Exhibits, Figs. 5 and 6, p. 4) is intended to be closed by a cover 28 when the pump is not in use.

Due to the viscous nature of mayonnaise, it would be impossible to provide any flow through the inverted lower end of the cone 42 without the feeder mechanism. The particular details of the feeder are not of importance. It is sufficient to state that by a pull on the handle 25, pressure is exerted on the mayonnaise to force it through the spout 17.

The handle 25 must be rather energetically operated to expel the mayonnaise. And since, for sanitary reasons, the feeder 10 is firmly secured to the restricted opening of the inverted cone 42, this requires that the cone 42 and its feeder 10 be maintained in a stable position. The assembled container and the feeder are supported for this purpose in a specially designed stand 1. (Book of Exhibits, Figs. 1 and 2, p. 2.) This stand is so arranged that the assembled container and feeder may be readily removed from the stand to facilitate placing a refill therein. The stand is especially adapted to maintain the inverted container 42 and feeder 10 in a stable manner. For this purpose, the patentee provides a conical-like sheet metal structure, having a wide base, and a top into which the small end of the container 42 is passed. The top rim of the stand 1 thus engages the container 42 intermediate its base and the restricted top.

The stand 1 is provided with an opening 2 to permit passage of feeder 10 into the position of Fig. 2. In order to brace the stand, horizontal brace 5 is attached to the inner surface of the stand.

Further to steady the inverted container assembly, a restraining device or rest 3 (Book of Exhibits, Figs. 2, 3, 4, 6, pp. 2 and 4) is used. This restraining means is fastened to braces 4 and 5, and upon it the bottom surface of the feeder 10 is disposed. This is shown to best advantage in Fig. 4, page 4, Book of Exhibits. A knob 12 attached to the feeder 10 is intended to pass through the opening 13 of the restraining means.

By virtue of the stabilizing supports provided by the stand 1, the removable assembly of container and feeder can be operated to expel mayonnaise without danger of unduly shaking the container or of moving it off the stand.

Plaintiff's physical exhibit 5 is an exemplification of the patented structure.

Of course, water or other freely flowing fluids may readily be dispensed from inverted containers without the use of the apparatus described in the patent. Under such circumstances, mere gravity flow is all that is required to discharge the fluid. Nor is there any problem as regards sanitary treatment of the material. The neck of the bottle may simply be inverted into an "olla" or jar, into which the water flows freely, and from which it may be discharged by gravity through a tap carried by the jar.

The distribution of mayonnaise requires an entirely different treatment. Gravity feed is inadequate; a feeder must be used, and the problem of adequate stabilization during feeder operation must be solved. Possibly other ways of maintaining a container stable could have been devised; there is no need to discuss them, since obviously the stabilization afforded by the top of the stand, in cooperation with a restraint on the feeder, is entirely satisfactory. As will be pointed out, appellants have deliberately and wilfully copied the structure.

By the aid of the patented structure therefore, ready removal and replacement of the container and feeder assembly were facilitated; the mayonnaise was kept sealed against contamination.

The patentee Kermin testified regarding the immediate reception of the device by the trade. He says [R. p. 63]:

"I found, when I first presented this to the stores, to the merchants at the stores, that they received it as a boom to the business. As a matter of fact, they congratulated me on getting the bulk mayonnaise out of a distasteful condition. They always used to dig into that crock with a spoon, and mayonnaise would

come up on the spoon and get all over the hands and they had to wipe their hands before waiting on the customer, and all that sort of thing. This eliminated any possibility of the mayonnaise ever getting onto their hands, and made a clean, sanitary method of handling a product of that nature, because before it was made it would have a tendency to spread all over everything.

“There was another thing that this did over the old method in that they use to keep these crocks of mayonnaise usually under a counter, because it was bulky and unattractive, and it seemed to be the best place to keep it. Naturally, the consumer couldn’t see the mayonnaise, and they only bought when they wanted it. By this means, having a good-looking stand, one that was harmonious, brought the device with the merchandise or mayonnaise right before the public, and these things were almost invariably placed in the most prominent place in the market, which immediately increased the possibilities of selling mayonnaise. That is one of the points that I intended to achieve by that particular design. Also the fact that I chromium-plated the stand, and tried to make it as attractive as possible, where we would be able to put it out where the consumer would see it. In that way we were able to get it almost into any market we desired to, without any sales resistance whatever and being in the selling business that is a very, very important thing.”

He testified regarding its immediate commercial success [R. p. 66]:

“The first one we put out was on March 1st, 1935. I remember the location because it was the very first one, and it was quite an occasion for us. From that

time on we rapidly distributed 500 more to some of the choicest markets in Los Angeles and San Bernardino counties; also in Riverside county. Over a period of four months we distributed these 500.

“There were about 200 more placed up to about February of 1936, and then another 200 were placed between that time and about April of 1936—none from that time until the present. There were practically none placed in 1937 of new containers. I say ‘we placed them,’ I mean the Kermin Food Products.”

Appellants’ Device.

Appellants’ device is exemplified by Plaintiff’s Exhibit 7. It bears a startling resemblance to the apparatus illustrated in the patent; as a matter of fact, appellants Goldfarb and Goldfarb, do not deny that they copied appellee’s apparatus; and, in fact, appellants’ counsel stated before the trial court on argument that “we * * * made no bones about it that we had the device before us at the time we designed our own.” There is no material difference either in structure or function between the two devices. True, the appellant’s device is arranged to utilize a somewhat larger “cone”; the stand is braced somewhat differently; and the restraining means that grips the feeder has been changed from the *bottom* of the feeder to the *end* thereof. Such specious changes of course are to be expected in any case; wilful copying never is exact; some minor details are always altered to lend color to an allegation of non-infringement.

It is accordingly to be expected that appellants should try to magnify the insignificant differences noted; and even to assert that the modes of operation of the devices differ.

The Lower Court's Findings of Fact.

The court found that appellants' apparatus corresponds "to the combination set forth in Claims 2 and 3" [R. pp. 20, 47]; also that "Claims 2 and 3 . . . define invention over all of the alleged prior art introduced herein." [R. pp. 21, 47.]

The appellants have expressed generally, dissatisfaction with these fact findings. But much more than that is required to obtain a reversal. Nowhere have appellants pointed out any clear error that would require correction. On the contrary, there is ample evidence upon which these findings are properly based.

THE FINDING REGARDING VALIDITY.

The Finding Regarding Validity Should Be Sustained.

The finding that claims 2 and 3 are valid over all of the alleged prior art is one of fact. (*Stoody Co. v. Mills Alloys*, 67 Fed. (2d) 807 (C. C. A. 9th), at p. 812.) In addition, one who attacks the validity of a patent is required to make out his case by clear and satisfactory proof, or by proof beyond a reasonable doubt. In this connection, see the Ninth Circuit cases of *Wilson & Willard Mfg. Co. v. Bole, et al.*, 227 Fed. 607, at page 609; and *Banker's Utilities Co., Inc. v. Pacific National Bank*, 18 Fed. (2d) 16, at page 18.

In the latter case, the late Judge Dietrich of this court said:

"In their position plaintiffs are fortified by the presumptions attending a patent * * * and by the fact that their device is a commercial success and has brought on imitation."

The appellee's device is a commercial success; and appellants have copied it.

And, in addition, new rule 52 (a) of civil procedure, states: "Findings of fact shall not be set aside unless clearly erroneous." This is merely a restatement of the rule in effect in this circuit as well as in other circuits. For example, in *Collins et al. v. Finley*, 65 Fed. (2d) 625, the late Judge Sawtelle refers to this well established doctrine, at page 626:

"As was said by Judge Rudkin, in the case of *Easton v. Brant* (C. C. A.) 19 F. (2d) 857, 859, 'the appellant is confronted by two well-established principles of law, from which there is little or no dissent: First, the findings of the chancellor, based on testimony taken in open court, are presumptively correct and will not be disturbed on appeal, save for obvious error of law or serious mistake of fact.' "

And Judge Haney in *Crowell v. Baker Oil Tools, Inc.*, Fed. (2d), 39 U. S. P. Q. 357 (C. C. A. 9th), reaffirms this doctrine, quoting many Ninth Circuit authorities.

With this principle in mind, we may now consider whether there is any substantial reason for reversing the fact finding of the trial judge. In this connection appellants contend that the claims in issue are invalid for any of three reasons: anticipation, lack of invention, and lack of utility.

The material elements in the appellee's patent (Book of Exhibits, p. 2) are the inverted container 42, a feeder 10 closing the open end of the container, a stand 1 which detachably supports the assembly of container and feeder,

and a restraint 3 that engages the feeder and steadies the assembly. Not a single alleged anticipation shows this combination. All this is admitted by appellants' expert Bennett, who clearly refutes appellants' present contentions; and the contentions are without merit.

It is not enough that some of the references show invertible containers and stands, and a gravity feed. The combination claimed operates to steady a mayonnaise container and its feeder during the delivery of the viscous material; and yet without affecting the ease of removal and replacement of the container and feeder assembly.

For example, Oliphant (Book of Exhibits, p. 24) shows no restraint whatever. If mayonnaise were placed in the bottle 1, it could not get out of the bottle. This was shown by patentee Kermin. [R. pp. 143, 144.] And Bennett says [R. p. 125] that the flow of mayonnaise "would be so slow as to be utterly unsatisfactory." On page 126 of the record, Bennett finally admitted that there is no equivalent of a restraint in Oliphant.

Jacobson et al. (Book of Exhibits, p. 62), is also unsuitable for mayonnaise. The "measuring barrel" 15 is not attached in any way to the container 11. Instead it is permanently secured to the arm 18 (Book of Exhibits, p. 63, lines 71 *et seq.*):

"At said bearing the frame bar extends horizontally in a frame arm 18 past the center vertical axis of the casing, where it is apertured, as at 20, to receive the barrel 15, which is rigidly connected thereto."

Bennett says [R. p. 131] of this patent that:

"I hardly think that device shown in Jacobson 1-7 would be operative when used for dispensing mayonnaise. It is intended for sugar, and would probably work better with a granular dry material.

“Q. There is an inverted container in there, is there? A. No, you take off lid 12 to refill it.

“Q. And the passages in the measuring device shown in Fig. 2 are too small to permit the passage of mayonnaise, isn't that true? A. I don't know that it is too small, as much as the fact that mayonnaise would leak out everywhere. It would not work.”

Weatherhead (Book of Exhibits, p. 28) is another *liquid* dispenser, operating solely by gravity. There is no feeder attached to the bottle 10. Instead it is merely inverted into the mouth of the flared chamber 9. Mayonnaise could not possibly get out of this device.

Appellants' expert Bennett agrees with this. He says [R. pp. 127, 128] that it would not operate satisfactorily when used with mayonnaise. And he finally admitted that the dispenser in Weatherhead isn't joined to the small end of bottle 10.

Cordley (Book of Exhibits, p. 36) is similar to Weatherhead. It is a dispenser of *liquids*, the flow being obtained by gravity alone. The water in “measuring chamber” 1 is exposed to the air. The dispenser is merely a tap or faucet 5, that is carried by the chamber 1 and is not attached to the bottle 25. There is no restraint in Cordley.

Appellants' expert Bennett rules out Cordley as unsatisfactory for the purpose of appellee's device. He says [R. pp. 128, 129] that he hardly thinks the Cordley device can be used satisfactorily for dispensing mayonnaise; and that the dispenser in Cordley is not joined to the bottle; and that there is no restraining device for preventing wobble of the bottle 25.

Griffiths (Book of Exhibits, p. 32) is again a liquid dispenser. The cork *b* supports the bottle *a*. The dispenser or feeder operates solely by gravity, through a valve *h*. The passages through the dispenser are too small for satisfactory operation with mayonnaise.

Again, Bennett agrees with all this. He says [R. p. 128] that the bottle is supported on the dispenser, and not the dispenser on the bottle; and that the device is unsatisfactory.

Coffin (Book of Exhibits, p. 46) is intended to operate by feeder 12, but the container 1 is intended to remain in the position of Fig. 1, and to be filled by removing cover 2. There are no facilities for removing and replacing an assembly of container and feeder; nor will it work for mayonnaise.

Bennett [R. pp. 129, 130] says he doesn't believe Coffin is adapted for mayonnaise; that the passages are too small; that it is not likely that any liquid or mayonnaise would flow; and that the container 1 is adapted to be filled by lifting off the lid; and that there isn't any such a thing in appellants' or appellee's devices.

Cox (Book of Exhibits, p. 56) is a peanut or candy vendor. The dispenser acts by gravity alone and is permanently attached to the stand, as by its flange 7.

Bennett [R. pp. 130, 131] discusses this reference and admits that it is intended for granular materials of considerable size; that the Cox device would not be adapted for dispensing mayonnaise; and that the feed is purely by gravity.

Defendants' Exhibit A is merely an open hopper permanently attached to a pump and having legs. It is intended to be used merely for filling containers, and perma-

nently installed as in a mayonnaise factory. There is no provision for facilitating transportation of *closed* containers. Bennett says [R. p. 119] that "Exhibit A is a factory dispenser, used in filling jars in the factory, for sealing and sending out as completed parcels." And on page 132 of the record, Bennett says that in this exhibit there isn't anything that would show how a container would be connected with the pumping device, nor how it would be supported in relation to the pump.

In summarizing, appellants' expert Bennett [R. p. 131] says that of all of the seven patents discussed, not one of them would work unaltered for dispensing mayonnaise.

These admissions on the part of appellants' own expert, coupled with the immediate success of the appellee's device, are sufficient to affirm the finding of validity.

None of the references show the entire combination, which includes elements arranged in such a way as to provide a simple and effective system for dispensing mayonnaise from a closed container assembly, which may be readily inserted for use in a stand. The elements of the combination of claims 2 and 3 include a stand, a container, to which is removably attached a feeding device, and a restraint in the stand that engages with the feeding device; and the stand also acts to stabilize the container.

It matters not whether individual elements of the combination be old or new. The combination performs its intended function in a simpler and better manner than has been possible heretofore.

"It may be laid down as a general rule, though perhaps not an invariable one, that if a new combination and arrangement of known elements produce a new and beneficial result, never attained before it is

evidence of invention. It was, certainly, a new and useful result to make a loom produce fifty yards a day when it never before had produced more than forty; and we think that the combination of elements by which this was effected, even if those elements were separately known before, was invention sufficient to form the basis of a patent.”

Webster Loom Co. v. Higgins, 105 U. S. 580, 592 (1881), 26 L. E. 1177; 1882 C. D. 285, 21 O. G. 2031.

And in the leading case of *Topliff v. Topliff*, 145 U. S. 156, 36 L. Ed. 658, 12 S. C. 825, the court says, page 161:

“It is not sufficient to constitute an anticipation that the device relied upon might, by modification, be made to accomplish the function performed by the patent in question, if it were not designed by its makers, nor adapted, nor actually used, for the performance of such functions.”

By every criterion, the finding of validity should be affirmed.

It is not essential to discuss at length appellants' allegation that the appellee's device lacks utility. In the first place, the brace 5 across the front of the stand (Book of Exhibits, pp. 2, 4, Figs. 2, 3 and 6), is as much a part of the stand as the sheet metal part. If the brace be omitted, then the stand of course can be stiffened in any other simple manner, as by increasing the thickness of the material. See, for example, Kermin [R. p. 73; pp. 85, 86, 87]; Bennett had to admit that the stand *can* support the container [R. pp. 133, 134]: “The empty container as it now stands is supported by the stand.” Then, comparing appellants' and appellee's stand, he says: “In both in-

stances there is a stiffening means for the frame, for the stand.”

In other words, the claim does not need to specify that the stand must be strong enough to support the container; any skilled worker would know that, and the use of braces or of heavier material to effect such a result is not properly a part of the claim. In appellants' device the brace has been moved up to cooperate with the upper part of the stand; otherwise the two stands are virtually identical. It is not necessary to include in the claim any auxiliary part of the stand; any more than to include such obvious elements as to the bolts or rivets for holding the parts together.

APPELLANTS INFRINGE CLAIMS 2 AND 3.

A comparison of the appellants' and appellee's devices (Exhibits 7 and 5) shows a very close copying not only of structure but of appearance. It is clear that appellants must have had the appellee's device to copy from. The hour-glass effect; the dispenser or feeder on the small end of the conical container; the general configuration of the stand, the suction feed at the bottom—all these speak more eloquently than mere words.

But there is ample evidence to show that this copying was actually deliberate. Crofut [R. pp. 94 and 95] stated that his company (H. Paulis, Inc.) early in August, 1935, was instructed by appellant Goldfarb to design a dispenser similar to the Kermin dispenser. Crofut decided not to comply with this request and returned a deposit of \$50 to Goldfarb. (Plaintiff's Exhibit 9, Book of Exhibits, p. 17.) Now, although Goldfarb went on the stand [R. pp. 139, 140] he did not refute this Crofut testimony.

And appellants' witness Hahn [R. pp. 100, 101] admitted that in designing appellants' feeder, he had Kermin's device before him.

Likewise, Schneider, appellants' witness, who made the sheet metal stand for appellants, admitted that he might have had the Kermin stand before him when he made his design. [R. p. 106.]

The finding of infringement by the trial court is likewise a finding of fact (*Winans v. Denmead*, 56 U. S. 330, at page 344); and therefore is to be affirmed unless clear error appears. There is no such error.

Appellants' device (Exhibit 7) operates substantially as appellee's; every element of claims 2 and 3 are present in this exhibit. Appellants admit that this exhibit includes the elements: a stand, a container, a feeder, and a restraint; but they insist that nevertheless there is a sufficient difference in detail so that infringement is avoided.

There is no substantial difference either in structure or in mode of operation of the two devices. Plaintiff's Exhibit 7 (which is an exemplification, stipulated to by appellants, of the appellants' devices), includes all of the elements referred to in claims 2 and 3. These claims refer to the restraint 3 in very broad terms, and in the following language:

“a restraining means within said stand adapted to engage with said feeding device when said container and feeding device attached thereto is introduced in inverted position into the stand through said restricted top and vertical wall opening.”

It so happens that in appellants' apparatus this restraint cooperates with the back end of the feeding device, whereas in appellee's device the restraint cooperates with the bottom of the feeding device. Such a change in location without change in function is of no moment on the question of infringement.

Such inconsequential arguments to the effect that there is no opening in the vertical wall of Exhibit 7, need no comment. The channel provided in the upper part of the stand forms a vertical wall opening and operates in the same manner as in appellee's device.

The only other point regarding infringement is that involved in the concluding statement of the two claims in issue. These statements are statements of function, to the effect that the container is stabilized by the top of the stand or that it is supported and stabilized by the flaring lip of the stand. The specification of the patent (Book of Exhibits, p. 6, lines 64 *et seq.*, first column), states that "A part of the weight of the container is supported by the upper end of the stand 1." The making of something stable implies a support for it. In the appellee's device the container and feeder assembly are supported in two places, each serving as a partial support. One place is at the top of the stand intermediate the top and bottom of the container; and the other support is provided by the restraint.

In appellants' device the function of the restraint to prevent the container from wobbling is identical with the function of the restraint in appellee's device. It may be true that in appellee's device the restraint serves as well at least partially to support the container.

The appellants in their brief on page 22, state:

“The patentee and defendants developed their devices from different prior structures. The patentee started with the old hopper with its three-legged stand and pump, Ex. A, while defendants adapted Oliphant to their needs.”

There is not an iota of evidence that this is what occurred. Quite the other way. The evidence clearly shows that the defendants did not bother to develop their own device but slavishly copied as closely as they dared from the existing structure of appellee.

The elements of the claims in issue are broadly defined. There is no reason why they should be narrowed to suit the purposes of the appellants. Nothing is said in claims 2 and 3 as to the location of the restraint nor is there anything in the claims that would make it necessary for the container to be supported *wholly or at all* on the restraint. Authorities are in accord with this contention, that elements of claims broadly defined should be broadly construed.

In the first place, it may be urged that appellee's patent covers an important contribution to the art. Previous mayonnaise dispensers have been impractical. It remained for appellee to provide a structure that could be easily kept clean and that could be utilized with facility for transporting mayonnaise in closed containers and for removing and replacing such containers from a stand, by merely inverting the container and disposing it therein.

It has long been the law in this circuit that where an invention is meritorious, the claims will not be narrowed for the purpose of permitting an infringer to evade lia-

bility. Thus in *Los Angeles Art Organ Co. v. Aeolian Co.*, 143 Fed. 880 (C. C. A. 9th), at page 887, the court says:

“The rule is well settled that if two machines be substantially the same, and operate in the same manner, though they may differ in form, proportion and utility, they are the same in principle.” (Quoting numerous authorities.)

See, also, *Jay et al. v. Suetter et al.*, 32 Fed. (2d) 879 (C. C. A. 9th), in which this doctrine is reaffirmed. The court at page 881 second column, quotes with approval from *Smith Cannery Mach. Co. v. Seattle-Astoria Iron Works*, 261 Fed. 85, in which it is stated:

“Where a combination patent makes a distinct advance in the art to which it relates, * * * the term ‘mechanical equivalent’ should have a reasonably broad and generous interpretation.”

Other circuits have ruled consistently with this circuit in this regard. For example, in the recent case of *Oates v. Camp*, 83 Fed. (2d) 111 (C. C. A. 4th), the court says on page 114:

“There can be no question but that claim 10 of the patent reads on this device. Defendant’s contention that the claim must be limited to the exact device disclosed by the specification and drawings cannot be sustained. As said by the Supreme Court in *Smith v. Snow*, 294 U. S. 1, 11, 55 S. Ct. 279, 283, 79 L. Ed. 721, these ‘show a way of using the inventor’s method, and that he conceived that particular way described was the best one. But he is not confined to that particular mode of use, since the claims of the patent, not its specifications, measure the invention.’”

And in this connection attention is invited to the recent Supreme Court case which is an authority on this question of infringement: *Sanitary Refrigerator Co. v. Winters*, 280 U. S. 30 at page 41; 50 S. Ct. 12; 74 L. Ed. 147. In this Supreme Court case the claims related to a refrigerator door latch and specified definite locations for various parts of the elements. Yet in spite of the change in the location of these elements, the Supreme Court had no difficulty in deciding that it was substantially identical with the structure defined by the patent claims. This rule was applied although the patent was not a pioneer patent. In coming to its conclusion the court says (page 41):

“There is a substantial identity, constituting infringement, where a device is a copy of the thing described by the patentee, ‘either without variation, or with such variations as are consistent with its being in substance the same thing.’ *Burr v. Duryee*, 1 Wall. 531, 573, 17 L. Ed. 650, 658. Except where form is of the essence of the invention, it has little weight in the decision of such an issue; and, generally speaking, one device is an infringement of another, ‘if it performs substantially the same function in substantially the same way to obtain the same result. . . . Authorities concur that the substantial equivalent of a thing, in the sense of the patent law, is the same as the thing itself; so that if two devices do the same work in substantially the same way, and accomplish substantially the same result, they are the same, even though they differ in name, form or shape.’ *Union Paper-Bag Mach. Co. v. Murphy*, 97

U. S. 120, 125, 24 L. ed. 935, 936. And see *Elizabeth v. American Nicholson Pavement Co.*, 97 U. S. 126, 137, 24 L. Ed. 1000, 1005. That mere colorable departures from the patented device do not avoid infringement, see *McCormick v. Talcott*, 20 How. 402, 405, 15 L. Ed. 930, 931. A close copy which seeks to use the substance of the invention, and, although showing some change in form and position, uses substantially the same devices, performing precisely the same offices with no change in principle, constitutes an infringement. *Ives v. Hamilton*, 92 U. S. 426, 430, 23 L. Ed. 494, 495. And even where, in view of the state of the art, the invention must be restricted to the form shown and described by the patentee and cannot be extended to embrace a new form which is a substantial departure therefrom, it is nevertheless infringed by a device in which there is no substantial departure from the description in the patent, but a mere colorable departure therefrom. Compare *Duff v. Sterling Pump Co.*, 107 U. S. 636, 639, 27 L. Ed. 517, 518, 2 Sup. Ct. Rep. 487.

“The fact that, as the Dent device makes two reciprocal changes in the form of the Winters and Crampton structure, one by the insertion of the lug on the keeper head, and the other in the shortened upper arm of the latch lever, and one alone of these changes cannot be substituted in the Winters and Crampton structure without the other, so as to make it operative, is plainly insufficient to avoid the infringement.”

To the same effect see *Sloan Valve Co. v. John Douglas Co. et al.*, 10 Fed. (2d) 885, Dist. Court of Ill.; *Carson Co. et al. v. Anaconda Copper Mining Co.* (C. C. A. 9th), 26 Fed. (2d) 651, page 662.

There is yet another reason why claims 2 and 3 should be broadly interpreted with regard to such expressions as "restraint." It is noted that some of the other narrower claims not in issue, such for example as claim 1, specify a horizontal rest. Under such circumstances it has been held that a limitation present in one claim is not to be implied in other claims in the same patent, where such a limitation is not expressed. In this connection see *Jones et al. v. Sykes Metal Lath & Roofing Co.*, 254 Fed. 91, at page 96; also *Peerless Wire Fence Co. v. Jackson Fence Co.*, 226 Fed. 774. The syllabus in this latter case is especially apt:

"Where a patent contains both a broad and a narrow claim, and suit is brought on the broad claim, the court cannot construe into it a limitation not therein expressed, but which is expressed in the narrower claim, and by which alone one is distinguished from the other."

By all the rules of interpretation of claims, it is thus clear that appellants have appropriated the substance of appellee's invention and they should be held liable therefor.

THE APPELLANTS SHOULD BE HELD TO AN ACCOUNTING.

In arguing that appellants should be freed from any accounting they failed to recognize well established principles long enunciated and often reaffirmed.

It must be remembered that the appellants herein are *direct* infringers, and not contributory infringers. If appellee were complaining merely of the sale of mayonnaise by appellants, intended to be distributed through some one else's infringing dispenser mechanism, then there might possibly be some weight to the argument of appellants.

However, in this case the appellants *made and used* the infringing structure. They are therefore direct infringers.

That they have caused damage to the appellee is clear from the record. Thus Kermin [R. p. 67] states that after 900 devices had been placed by the appellee, some of them were returned. In almost every instance they were displaced by the appellants' dispensers. There is thus direct damage. Were it not for the infringing acts, appellee would have secured additional royalties, because appellee's licensee, Kermin Food Products Company, would have been able to keep a greater number of the dispenser devices into use.

An accounting for profits is also proper under the authorities.

An entirely different basis for an accounting for profits exists when the defendants are *using* a patented structure,

instead of *selling* embodiments thereof. This is clear from the statements, for example, in Deller's Edition of Walker on Patents, Vol. 3, page 2206, paragraph 856, in which the learned author says:

“Where unlawful use of a patented article or process constitutes the infringement involved in a suit in equity, the infringer's profits are ascertained by a rule quite different from either of the foregoing. That rule, in its generic character, may be formulated as follows: ‘The advantage,’ e. g., the saving, ‘which the defendant derived from using the complainant's invention, over what he could derive from using any other process or thing, which was known prior to that invention, constitutes the profits which the complainant is entitled to recover.’”

This statement is, of course, a crystallization of important and leading cases such as *Mowry v. Whitney*, 81 U. S. 620; *Carwood Patent*, 94 U. S. 695; *Webster Loom Co. v. Higgins*, 43 Fed. 673.

In *Novelty Glass Mfg. Co. v. Brookfield* (C. C. A. 3rd), 170 Fed. 946), the plaintiff's right to recovery of profits of the character indicated in this case are fully substantiated. In the *Novelty Glass* case the infringing machine was one for making glass insulators. The defendant did not *sell* the machine, but *used* it at a profit in the manufacture and sale of the insulators. The insulators themselves were not covered by the patent.

Lastly, another analogous case involving the accounting for profits is *Union Electric Welding Co. v. Curry*, 279 Fed. 465 (C. C. A. 6th Cir.). In that case the patent covered a tool for tying wires. The defendant infringed by distributing the tool, and selling the ties that were

adapted to be operated upon by the tool. In deciding that the profits of the sales of the ties formed the proper basis for recovery, the court says (page 468):

“The plaintiffs adopted the general plan of business illustrated by the Heaton-Peninsular Case, 77 Fed. 288, 25 C. C. A. 267, 35 L. R. A. 728, and the Dick case, 224 U. S. 1, 32 Sup. Ct. 364, 56 L. Ed. 645, Ann. Cas. 1913D, 880. They did not sell this tool at a profit but placed it with those who used bags in great quantities, like cement manufacturers, and who desired to tie their bags by using this tool. The plaintiffs then derived their profit from the business of making wire ties suitable for use in this tool and selling them to the users of the patented machine. The device could not be operated, except with ties of the precise construction made by the plaintiffs, and the ties which they made were of no use, excepting in the patented machine. There was no patent upon the ties. The defendant adopted precisely the same method of business in connection with its infringing machine. It made a large number of machines and placed them with the bag users upon the payment of a nominal charge—somewhat less than the actual cost of construction. The special wire tie which it made would not fit and was not adapted to plaintiff’s patented machine, and could be used nowhere excepting in defendant’s infringing machines, and likewise these machines could not be used, excepting with this particular tie which was made by defendant and by no one else.”

So here, the appellants’ containers could cooperate only with appellants’ stands.

The fact that the defendant made tools that infringed the patent was sufficient. The court in this regards says (p. 469):

“* * * The defendant actually made tools infringing the patent. It sold no ties to the users of the patented machine. It sold ties only to the users of the infringing machine; and it had no other business (save for the 4.36 per cent. above noted) except making and placing the infringing machines and furnishing the materials for their use. * * * From its conception, through birth and life, and until its death, it was an indissoluble part of a plan to destroy plaintiff’s rightful monopoly in the use of their patented machine. No reason is apparent why its profits should not be treated as received in trust for plaintiffs upon the same principle which controls the profits of a direct infringement.”

The same general doctrine regarding accounting for profits has been adopted by our own Ninth Circuit, in *O’Neal v. San Jose Canning Co.*, 33 Fed. (2d) 892. In that case, the advantages of using the patented mold for canning beans were held to be accountable.

It is respectfully submitted that the interlocutory decree appealed from should be affirmed in every particular.

JOHN FLAM,

Attorney for Appellee.

In the United States
Circuit Court of Appeals
For the Ninth Circuit. 9

EDWARD E. BRAMLETT, CHARLES R. BRAMLETT, GORDON
F. HATCHER, E. DANA BROOKS, JULIUS GOLDFARB,
MEYER GOLDFARB, V. R. JAMES and E. G. HEIDEN,
Appellants,

vs.

NATIONAL UNIT CORPORATION, a corporation,
Appellee.

REPLY BRIEF FOR APPELLANTS.

CHARLES C. MONTGOMERY,
ROBERT I. KRONICK,
810 Title Guarantee Bldg., Los Angeles, Cal.,
Attorneys for Appellants.

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No. 9014

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

EDWARD E. BRAMLETT, CHARLES R. BRAMLETT, GORDON
F. HATCHER, E. DANA BROOKS, JULIUS GOLDFARB,
MEYER GOLDFARB, V. R. JAMES and E. G. HEIDEN,
Appellants,

vs.

NATIONAL UNIT CORPORATION, a corporation,
Appellee.

REPLY BRIEF FOR APPELLANTS.

May It Please Your Honors:

We will follow the same order of argument as in the original brief.

As to the power of the Appellate Court to review findings as to validity and infringement, we refer to *Wilson-Western Sporting Goods Co. v. Barnhart*, 9 Cir. 81 Fed. (2d) 108 and *Chas H. Lilly Co. v. I. F. Laucks, Inc.*, 9 Cir. 68 Fed. (2d) 175.

I.
INVALIDITY.

1. Anticipation.

Appellant seeks to avoid the effect of lack of invention over the prior art by claiming that “appellants have deliberately and wilfully copied the structure.” (Appellee’s Brief p. 5.) Similar charges appear, pages 7, 9, 15 and 18.

We disagree with counsel in these statements. If any copying was done it was by the appellee in changing his container from paper to glass; in changing the pump from white material to black after Goldfarb had come on the market with the glass container and the black dispensing means.

As appellee’s witness Kermin, stated:

“Q. When did you take it on? After Goldfarb wasn’t it? After Goldfarb showed it could be used, then you adopted it? A. Yes, I am a copy cat I guess.” [Tr. pp. 84, 85.]

Page 15 of appellee’s brief reads:

“A comparison of the appellants’ and appellee’s devices (Exhibits 7 and 5) shows a very close copying not only of structure but of appearance.”

The resemblance in appearance is because of the copying by appellee of the glass container and the black pump used by appellants. The device is described in the patent

with a paper container. This parchmentized paper container with a Kermin advertisement resting on the 3 legged stand within the outer ornamental stand, is shown beside appellants' assembly in picture 5 opposite page 10 of our original brief.

The real copying was by patentee in adopting a three legged support like that which Goldfarb had in his place of business in 1933, two years prior to patentee's application date. Compare this support with the three legged support described by plaintiff in his patent application in 1935. See illustration No. 1 opposite page 10 of our opening brief showing the two supports side by side.

As to anticipation, appellee states, pages 9-10 of its brief:

“The material elements of the appellee's patent (Book of Exhibits p. 2) are the inverted container 42, a feeder 10 closing the open end of the container, a stand 1 which detachably supports the assembly of container and feeder, and a restraining means 3 that engages the feeder and steadies the assembly. Not a single alleged anticipation shows this combination.”

Consider Appellee's Exhibit A, the three legged stand with pump attached as used in 1933 and for several years following. With it was used an inverted container or hopper. The feeder or pump, when the container is in place, closes an open end of the container where it is restricted. The three legged support is a stand which supports the assembly of container and feeder, and there is a

restraining means or attachment to the stand that engages the feeder and steadies the assembly. There is no ornamental stand that surrounds the three legged stand, as in appellee's device, and the container does not have the pump screwed on to it, but so far as the essential elements of a dispensing device are concerned, the container, pump and stand with restraining means, these existed and were in use in Goldfarb's factory which the so-called inventor Kermin had visited some time prior to making his patent application.

Each of the seven patents cited have inverted containers of various sorts, each have stands of several types, each have dispensing means, and each have means to hold the assembly steady when in use.

The material elements of a dispenser,—container, pump or feeder, stand and means to hold the assembly steady—appear in the patents in evidence, anticipating the combination. Whatever novelty or invention there may be, must be in the specific details of the device described in the patent.

2. Lack of Novelty and Invention.

As shown above the combination as a whole has been anticipated by the prior art. The next question is whether or not the patentee is entitled to a patent on the special form and features of his device,—do these features create a novel device of inventive character? In view of the prior art discussed above, there is neither novelty

nor invention in the subject matter of the claims in issue, but merely mechanical skill. Inverted containers appear in all the patents in evidence, Exhibits I-1, 2, 3, 4, 5, 6 and 7.

Stands appear in all of them.

Restraining means, *i. e.*, means to hold the devices steady, to prevent lateral or rotary movement, appear so far as needed in all of them.

Olipphant (Ex. Bk. p. 24) is the nearest reference with a lower stand of similar shape to the inverted container above. With respect to this patent appellee states:

“For example, Olipphant * * * shows no restraint whatever.” (Brief p. 10.)

The Olipphant stand's top flaring lip sufficiently fits the bottle to prevent movement when in use.

The fact that the patentee uses a larger container than that of Olipphant with a pump which has a tendency to cause the device to wobble when pumping, required, when the side wall had a vertical opening through it, other means to hold it steady. This was because the opening through the side wall weakened the structure, particularly the top flaring lip, so as to diminish, if not entirely destroy its supporting character.

Does the substitution or addition of other restraining means than the tight fit of the top flaring lip of the Olipphant stand constitute invention? The answer is emphatically, “No, that is merely a matter of mechanical

skill.” Patentee fastened his pump to the three legged stand beneath. Defendants have a guide fastened to the wall of the stand for the back edge of the pump to slide in, which the “*foreman of the shop figured out*” [Tr. p. 103], *i. e.*, it was merely a matter of mechanical skill in both cases.

3. Inutility.

Claims 2 and 3 describe a stand with “a substantially vertical opening in the wall of said stand.” Such a stand furnishes insufficient support for the container when filled with mayonnaise. Appellee argues it could be made self supporting. But that is not what the claim provides.

The brace 5 which appellee contends is a part of the stand 1 (Brief p. 14) is not specified as such either in the claim or description. The brace is a part of the “rest” or support, even though attached to the inner wall of the stand. (Patent Ex. Bk. p. 5, lines 17-20.)

Appellee states:

“Bennett had to admit that the stand *can* support the container [R. pp. 133-134] ‘The empty container as it now stands is supported by the stand.’” (Brief p. 14.)

A stand supporting an empty container has no utility. It must be constructed to carry the additional weight of the contents.

The claims in issue read on a device lacking utility.

II.
NON-INFRINGEMENT.

Restraining means and stabilization means are different elements in the claims in issue.

Claim 2 has, in addition to the so-called “restraining means” and other elements, the following:

“said container being stabilized at the top of said stand at a point between the top and base of said container.”

Defendants’ device is not stabilized at the top of said stand at a point between the top and base of said container, but is stabilized by the guide in the back.

Patentee Kermin admitted as to defendants’ stand:

“The top supports it; the restraining device keeps it from wobbling.” [Tr. p. 81.]

In patentee’s device the means are reversed—the restraining means is in the lower rest which supports the weight of the container with its contents, but the inverted cone container is “stabilized at the top of said stand” as set out in the claim.

“Every part of the combination claimed is conclusively presumed to be material to the combination, and no evidence to the contrary is admissible in any case of alleged infringement

The patentee makes all of the parts of a combination material, when he claims for any combination and not separately.”

Claim 3 is subject to the same comment. It reads:

“said container being supported and stabilized by the outwardly flaring lip of said stand.”

In the patent the bottom “rest” supports the weight and restrains the pump from lateral movement when in use while the outwardly flaring top lip of the stand 1 stabilizes it, keeps it from wobbling, which otherwise occurs when an inverted cone is supported on its smallest part. But the defendants use the top lip to support the weight and use the guide at the back to keep the container from wobbling, and not the top lip. The weight being supported in a different manner, the stabilization is also different.

The stabilization means at the top, which the patentee himself has made an element of his claims cannot be disregarded. Defendants use a different arrangement and different means devised by themselves.

There is, therefore, no infringement.

III.

NO ACCOUNTING SHOULD BE DECREED.

There has been no showing in this case that the use of the dispenser caused any saving to the defendants or gave them any profits by reason of the alleged infringement.

Appellee in claiming an accounting of profits on the sale of mayonnaise seeks to draw a distinction between direct infringement and contributory infringement. (Brief p. 23.)

Concededly under the *Carbice* case followed and discussed in *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458, 82 L. ed. 371, the sale of unpatented staple articles of commerce (such as mayonnaise) may not be suppressed by charging contributory infringement by their use "whether the patent be for a machine, a product, or a process." (82 L. ed. p. 374.)

There is no difference in principle between direct and contributory infringement in so far as the policy of the law is to allow free competition in the sale of unpatented staple articles of commerce.

Appellee cites (p. 24 of brief) *Novelty Glass Mfg. Co. v. Brookfield*, (3 Cir.), 170 Fed. 946, where the defendant did not sell the machine but used it at a profit in the manufacture and sale of the insulators. That was a case where the insulators could only be produced by the infringing machine. In the present case the mayonnaise is not produced by the so-called infringing dispenser and the proof shows that it was sold without the use of dispensers and

by the use of other dispensers clearly of non-infringing character.

Another case cited by appellee (Brief p. 24) is *Union Electric Welding Co. v. Curry* (6 Cir.), 279 Fed. 465, where the patent covered a tool for tying wires and the profit was in furnishing wire ties suitable for use in this tool. The device could not be operated except with ties of the precise construction made by the plaintiffs and the ties which defendants made were of no use excepting in the patented machines.

Appellee states as an application of the case last cited, "So here the appellants' containers could co-operate only with appellant's stands."

The appellants' containers are not sold with the stands as the ties were in the case cited and the profit that was made by the defendants from their business was profit from the sale of mayonnaise, not from the sale or rental of containers, or the sale or rental of stands. They received absolutely no compensation from the stands themselves or from the containers, but from a common article of commerce, mayonnaise, which was distributed in the containers.

The third case relied upon by appellee is *O'Neal v. San Jose Canning Co.*, (9 Cir.), 33 F. (2d) 892. In that case there was a saving in the cost of canning beans by the use of the infringing mold. This saving of costs was held to be profits lost by the defendant's infringement. Here there is no saving in the cost of producing the mayon-

naise, nor in the cost of selling the mayonnaise, nor in any other manner.

In *Individual Drinking Cup Co. v. Errett*, (2 Cir.), 297 Fed. 733, contributory infringement of a dispensing device was found. It was committed in order that defendant could sell its cups. The defendant's Lily cup was not essential to the use of plaintiff's apparatus, the patented vending machine, which was capable of use in connection with other paper cups, which were articles of commerce of ordinary use. The case was referred to a Master for an accounting. The Master found that no profits were made by defendant and no damages suffered by plaintiff. (297 Fed. p. 734.)

There is no proof in the record that there was any advantage in the use of the so-called infringing device over what he could have derived from using any other dispensing means.

As there were no sales by defendants or any of them of the infringing dispensers, there could be no profits from sales, nor damages from lost sales.

As the only infringement charged against the Goldfarbs is the "manufacture and distribution for use of apparatus exemplified by Defendants' Exhibit 7" and as to V. R. James and E. G. Heiden, that they "have obtained and have distributed for use such apparatus", and as to the Bramletts et al., that they have violated the rights of plaintiff "by distributing and supplying for use apparatus as exemplified by Plaintiff's Exhibit 7", therefore unless the use by defendants' customers constitutes use by

defendants themselves, we have not even the use of the apparatus involved.

Remote or consequential damages cannot be allowed for an infringement of a patent.

In 3 *Walker on Patents*, page 2169, the author states:

“Pecuniary injury may result to a patentee from a particular infringement, in that it caused him to suffer competition and consequent loss, in business outside the patent infringement; . . . But pecuniary injury of any of these kinds would be such an indirect consequential matter as not to furnish any matter of a proper basis for recoverable damages.”

Appellee cannot even claim this kind of injury, because appellee does not sell mayonnaise, but is merely a holding company for the patent in suit.

Therefore there is no case here for an accounting regardless of the questions of validity and infringement.

The decree should be reversed because of invalidity of claims 2 and 3 in issue, because of non-infringement and as to an accounting.

Respectfully submitted,

CHARLES C. MONTGOMERY,
ROBERT I. KRONICK,
Attorneys for Appellants.

In the United States
Circuit Court of Appeals
For the Ninth Circuit. 10

EDWARD E. BRAMLETT, CHARLES R. BRAMLETT, GORDON
F. HATCHER, E. DANA BROOKS, JULIUS GOLDFARB,
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Appellants.

vs.

NATIONAL UNIT CORPORATION, a corporation,
Appellee.

PETITION FOR REHEARING.

JOHN FLAM,
914 Fidelity Bldg., Los Angeles, Calif.,
Solicitor for Appellee.

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In coming to the conclusion that claims 2 and 3 of the patent in suit are invalid for anticipation, the Court failed to give any consideration to several very important circumstances.

These are (1) an erroneous interpretation of the *combination* claimed in the patent¹; and (2) failure to appreciate the significance of the activities of appellants who copied the combination; and in spite of the fact that the alleged anticipating disclosures were available to them.

¹It is well understood that the entire combination must be considered in construing a claim.

"We are of opinion that nothing in the prior art cited by the defendant anticipates the Nelson invention; that is, the *complete* combination of elements described in claim 2 of the Nelson patent." (Italics ours.)

Alemite Mfg. Corp. v. Rogers Products Co., 42 Fed. (2d) 648 (C. C. A. 3), page 651.

The Court discusses at some length the Coffin patent which was introduced in evidence by the appellants. This patent was not seriously urged as an anticipation by appellants.² The Court throughout its opinion, implies that the claims in issue rather broadly cover a combination of a stand, a container, and a feeding device. But the claims include important and vital limitations that clearly lend patentability to them. Of course, appellee does not contend, and cannot contend, that its patent covers any and all combinations of these necessary elements.³ Claim 2, for example, includes, among important limitations, *a restraint within the stand, cooperating with the feeding device, that is attached and carried by an invertible container.*

The Court seems to assume that any efficient assembly for distribution of mayonnaise in small batches, such as provided by Coffin, fulfills all the requirements of the appellee's invention. Appellee's patented structure is not intended to operate *merely* as such a distribution assembly.

²Appellants' discussion of this Coffin patent consists of but two sentences in the appellants' briefs:

"Coffin screws his dispenser into the frame threaded collar 5."
(Appellants' Opening Brief, p. 7.)

"Coffin has a stand, container and dispenser screwed into collar of the stand which has the container screwed in above." (*Ibid*, p. 16.)

The closing brief of appellants does not even mention the Coffin patent.

The appellee accordingly had at least a partial excuse for not dwelling at length on this patent.

³In addition to the half-dozen or so patents included in the record, there are a very wide variety of devices in the prior art for ejecting liquids, granular or powdered substances, or the like, in conjunction with stands. In an art so crowded as this, departure therefrom, imitated by a business rival, is strong evidence of novelty, and lack of anticipation.

So far as *that* broad problem is concerned, it is in all likelihood capable of being solved without incorporating the structural limitations of the claims. But the patentee's problem was one involving the use of a simple, standard form of container, *separate* from the feeder, which could be very conveniently filled at the factory and transported to the desired localities, such as grocery or delicatessen stores, and there readily assembled with a feeder device and very effectively and conveniently and sufficiently supported in a specific type of stand.⁴

⁴The limitations in claim 2 that contribute to this may be briefly discussed, without any attempt to be exhaustive (leaving that to further argument if necessary).

The container is stated to be one that is "provided with an enlarged base and a restricted *top* portion having an opening therein" (italics ours). This form of container makes it easy to fill at the factory, the enlarged base lending stability to the container during the operation of filling and during transportation. The *top* (which is to be placed in inverted position in the stand) is defined as the one carrying the feeding device; while before the opening served as a filling aperture, now with the stand it serves as a discharge aperture.

The stand has "an enlarged bottom and a restricted top." This is for the purpose of providing a stable support even after the container is inverted, a position in which the container (especially when filled) needs support.

An important element of the combination is the "restraining means *within said stand* adapted to engage with (said) *feeding device* when said container and feeding device attached thereto is introduced in *inverted position into the stand*" (italics ours). This element is worthy of further comment. By making the restraint cooperate with the *feeding device* rather than with the container *per se*, the container may be made of simple form without extraneous grooves or projections or other devices. The feeding device is adapted (by being removable) to cooperate with many containers. It is especially constructed for its cooperation with the restraining means; thus there is a considerable saving in cost, because attention in this regard need be paid only to the relatively few feeding devices, rather than to the numerous containers. The restraint being within the stand, no unsightly parts are visible even when the stand is placed on a counter.

Further, the claim specifies that the restraining means engages "said feeding device when said container and feeding device attached thereto is introduced in inverted position into the stand through said restricted top." Thus the securing of the container assembly into the stand is obtained by a simple downward movement of the assembly through the top of the stand.

The support for the assembly in proper distributing position is thus obtained by the aid of two vertically separated places where contact is

That appellee's structure is meritorious is not seriously contested. It was immediately accepted by the trade. The appellants, in active competition with appellee's licensee, took advantage of this immediate acceptance and paid tribute to the meritorious ideas embodied in appellee's device by abandoning other forms of apparatus and copying appellee's structure to replace these other forms (See Footnote 7, *infra*). The Coffin device was available to appellants; but they did not copy *that* structure, nor any of the other old structures incorporating a stand, a

established. These two places serve to keep the assembly securely in place, without any unsightliness.

As stated by appellee heretofore, it is of course possible to utilize other means for rigidly supporting the inverted container assembly. But the patent is definitely limited to one in which (1) the top of the stand cooperates with the container, and (2) there is a cooperation between a restraint *in the stand*, and the *feeding device*. The advantages of this arrangement are apparent, once these features are mentioned. It is just these features that are imitated in the accused device.

Viewed in this light, it is easy to appreciate why the Commissioner of Patents as well as the District Court had no difficulty in concluding that the claims were valid over the prior patents. For example, Coffin, which is most heavily stressed in this Court's opinion, is after all, so far as the evidence herein is concerned, a mere paper patent. Therein the assembly of container and feeding device is held in place by holding the rim of collar 5 against a V-shaped seat 7a (Fig. 6, page 48, Book of Exhibits). The support is accomplished at but *one* point, and that, not by a vertical downward movement, but by a horizontal movement of the holt 6 into the top 7 of the stand. The collar 5 operates to join the container 1 to the feeding device 9. *It is not a part of the stand*; there are no two vertically spaced points of contact, one on the container and one on the feeding device. The container itself is not in *inverted* position on the stand as called for by the claim. The top of the container 1 of Coffin is located where the cover 2 is placed. It is not intended to fill the container 1 through its lower opening and then to *invert* it. The *inverted* position is positively set forth in the claim. Nor can Coffin be utilized commercially for transporting filled containers separate from the feeding device.

The remaining patents all fail to show, in one complete combination, (1) an invertible scaled container and feeder assembly; (2) a stand cooperating at its top with the container; and, finally (3) a restraint *in the stand* and cooperating *with the feeding device*. It matters not whether some of them could utilize *pumps* instead of taps or faucets; this combination alone would still fail to produce the combination just outlined.

container and a feeder. Many of the appellants' devices replaced those of appellee's licensee. This copying was of the *entire* combination—the vital features *supplementing* the essential elements of a stand, a container and a feeder. The entire assembly as defined in the claims was approached as closely as appellants dared.⁵

As regards the question of patentability, these considerations in addition to others now to be mentioned, ought to have been given great weight in deciding the case. The patent was granted by the Commissioner of Patents in spite of the existence of all the prior art.⁶ And furthermore, the District Court confirmed the action of the Commissioner of Patents by finding the claims valid over this prior art. This *fact* finding should not be ignored.

Authorities substantiate that where the patented device, after going into commercial use, was copied and followed by an alleged infringer, who discarded other devices in

⁵A mere comparison of the appellee's and appellants' devices suffices to show wilful copying. No apparatus shown in the prior art approaches anywhere near as close to appellee's device as the Food Craft apparatus. The appearance alone is distinctive.

Attention is also called to Crofut [R. pp. 94 and 95]; Hahn [R. pp. 100, 101]; and Schneider [R. p. 106].

⁶It must be presumed herein that the Commissioner of Patents *did* have all of the available prior art before him, because appellants introduced no evidence to the contrary; not even the file wrapper history of the patent.

its favor⁷, this bears heavily in favor of validity; and especially where the lower tribunals have already resolved any possible doubt in favor of the patent.⁸

⁷The testimony of Julius Goldfarb, one of the appellants, beginning at page 139 of the record is pertinent in this regard.

"There were other dispensers for mayonnaise on the market before Kermin" (page 140).

"One of the first types of mayonnaise dispensers that I had involved the use of an air pump. *I discarded that type of dispenser the early part of 1935. * * * Plaintiff's Exhibit No. 7 is the Food Craft dispenser (the accused structure). In October, 1935, was the time we first came out with a complete unit, and it is here 7. Up to that time we used an air pump arrangement.*" (Italics ours; page 142).

It is significant to note that appellee's licensee began putting out its devices in March, 1935 [Tr. p. 66]. There is thus a remarkable coincidence between the time that the patented structure went into commercial use and the time when the Goldfarbs, some of the appellants, went on the market with their infringing device.

⁸Without any attempt herein exhaustively to set forth all pertinent authorities, the following may be mentioned:

Gairing Tool Co. v. Eclipse Interchangeable Counterbore Co., 48 Fed. (2d) 73 (C. C. A. 6);

Overman Cushion Tire Co., Inc. v. Goodyear Tire & Rubber Co., Inc., 40 Fed. (2d) 460 (C. C. A. 2);

Trussell Mfg. Co. v. Wilson-Jones Co., 50 Fed. (2d) 1027 (C. C. A. 2). Therein on page 1030 it is said:

"Not only does a patent carry a presumption of validity, but the defendant's own efforts to accomplish the same result and escape infringement adds something of persuasion in favor of invention."

W. Bingham Co. v. Ware, et al, 46 Fed. (2d) 33 (C. C. A. 6):

"* * * patentability is not defeated by feasibility of effecting the same result by the changing of existing structures. * * * It is, however, simple of construction and satisfactory—more satisfactory than any that had heretofore been developed. That it was an advance is evidenced by the copying and adoption of it by others engaged in the same business."

Trico Products Corporation v. Apco-Mossberg Corporation, 45 Fed. (2d) 594 (C. C. A. 1) At page 598 the court says:

"As bearing on the novelty of the plaintiff's invention, the manner in which the public adopted it and their competitors copied it, weighs heavily in favor of its patentability; and *favorable action by the Commissioner of Patents and a finding by the District Court on this point requires clear proof to the contrary.*" (Italics ours.)

Black & Decker Mfg. Co., et al. v. Baltimore Truck Tire Service Corporation, 40 Fed. (2d) 910 (C. C. A. 4). At page 914 the court says:

"And in addition to this is the presumption arising from the imitation of the patented article by the manufacturer of the alleged infringing device."

McKee, et al. v. Graton & Knight Co., 87 Fed. (2d) 262 (C. C. A. 4). At page 264 the court says:

"* * * and to this should be added also the presumption which arises from defendants' imitation of the patented article after its success had been assured."

Appellee respectfully urges that it should be given an opportunity to present an argument, rendered necessary by the unforeseen bringing to light of questions which were not seriously treated by appellants. Apparently if appellee succeeds even in so much as creating a *doubt* in this Court's mind on the question of invention, it would suffice. Considerations must be given to the limitations in the claims here urged, the high degree of utility of the device, and appellants' actions in discarding other devices in preference to the patented structure.

Respectfully submitted,

JOHN FLAM,

Solicitor for Appellee.

Certificate.

This petition is in my judgment well founded and it is not interposed for delay.

JOHN FLAM.

United States
Circuit Court of Appeals
For the Ninth Circuit. //

ROBERT DeSHAY LEE,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

Transcript of Record

Upon Appeal from the District Court of the United
States for the Western District of Washington,
Northern Division.

FILED

MAY 17 1933

PAUL P. O'BRIEN,

CLERK

United States
Circuit Court of Appeals

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in *italic*; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in *italic* the two words between which the omission seems to occur.]

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NAMES AND ADDRESSES OF COUNSEL.

GEORGE H. CRANDELL, Esq.,

Attorney for Appellant,
1702 Smith Tower,
Seattle, Washington.

J. CHARLES DENNIS, Esq.,

Attorney for Appellee,
222 Post Office Bldg.,
Seattle, Washington.

FRANK A. PELLEGRINI, Esq.,

Attorney for Appellee,
222 Post Office Bldg.,
Seattle, Washington. [1*]

*Page numbering appearing at the foot of page of original certified Transcript of Record.

United States District Court, Western District of
Washington, Northern Division.

May Term, 1938.

No. 44836.

UNITED STATES OF AMERICA,

Plaintiff,

vs.

VERNON PAUL GREEN,

JEAN GREEN,

alias Genevieve Scott,

SHERMAN JOHNSON,

alias Ben Purvis,

alias Ben Purvine,

ROBERT DeSHAY LEE,

alias Sunnie Lee,

alias Robert Dobson,

alias Robert Ambrose,

JAMES BARKER, and

MARIE HARRIS,

alias Marie Lloyd,

alias "Johnnie",

Defendants.

INDICTMENT.

Vio. Section 88, Title 18, U. S. C. A., conspiracy to
violate Section 398, Title 18, U. S. C. A.; and
vio. Section 398, Title 18, U. S. C. A.

United States of America,
Western District of Washington,
Northern Division—ss:

The grand jurors of the United States of America being duly selected, impaneled, sworn, and charged to inquire within and for the Northern Division of the Western District of Washington, upon their oaths present: [2]

Count I.

That Vernon Paul Green, Jean Green, alias Genevieve Scott, Sherman Johnson, alias Ben Purvis, alias Ben Purvine, Robert DeShay Lee, alias Summie Lee, alias Robert Dobson, alias Robert Ambrose, James Barker, and Marie Harris, alias Marie Lloyd, alias "Johnnie", whose true and full names are to the Grand Jurors unknown, and each of them, during a period of time extending from on or about the fourth day of July, in the year of our Lord one thousand nine hundred thirty-six, to on or about the sixteenth day of July, in the year of our Lord one thousand nine hundred thirty-seven, the exact time and place of the formation or end of the said conspiracy being to the Grand Jurors unknown, at Seattle, in the Northern Division of the Western District of Washington, and within the jurisdiction of this Court, then and there being, and at divers other places to the Grand Jurors unknown, did knowingly, wilfully, unlawfully and feloniously combine, conspire, confederate and agree together, and with each other, and together with sundry and divers other persons to the Grand Jurors unknown,

to commit certain offenses against the United States of America, to-wit, to knowingly, wilfully, unlawfully and feloniously transport and cause to be transported, and to aid and assist in obtaining transportation for and in transporting, certain women in interstate commerce from the City of Portland, in the State of Oregon, to the City of Seattle, in the Division and District aforesaid, and from the City of Seattle, in the Division and District aforesaid, to the City of Portland, in the State of Oregon, for the purpose of prostitution, debauchery, [3] concubinage and other immoral practices, that is to say, contrary to the provisions of Section 398, Title 18 United States Code Annotated; contrary to the form of the statute in such case made and provided, and against the peace and dignity of the United States of America.

And the Grand Jurors aforesaid, upon their oaths aforesaid, do further present:

That after the formation of the aforesaid conspiracy, and during the continuation of the same, and before the finding of this indictment, and in pursuance of said conspiracy, and in order to effect the objects thereof, and to execute and perform said unlawful agreement and conspiracy, said conspirators, by and through themselves and others with whom they did so conspire, confederate and agree together, did commit various and sundry overt acts in furtherance and in pursuance of said conspiracy, and in order to effect the objects thereof, and to execute said unlawful agreement, within the North-

ern Division of the Western District of Washington, and within the jurisdiction of the United States District Court for said Division and District, and elsewhere, all as hereinafter more particularly set forth, to-wit:

Overt Acts

1. That on or about July 8, 1936, at the City of Portland, in the State of Oregon, the defendants Vernon Paul Green and Sherman Johnson, alias Ben Purvis, alias Ben Purvine, conferred with the defendant Marie Harris, alias Marie Lloyd, alias "Johnnie".

2. That on or about July 8, 1936, at the City of Portland, in the State of Oregon, the defendants Vernon Paul [4] Green, Sherman Johnson, alias Ben Purvis, alias Ben Purvine, and Marie Harris, alias Marie Lloyd, alias "Johnnie", conferred with one June Allen, alias June Woods, relative to the said June Allen, alias June Woods, coming to the City of Seattle, in the Northern Division of the Western District of Washington, for the purpose of practicing prostitution.

3. That on or about July 8, 1936, the defendants Vernon Paul Green and Sherman Johnson, alias Ben Purvis, alias Ben Purvine, transported June Allen, alias June Woods, in an automobile from the City of Portland, in the State of Oregon, to the City of Seattle, in the Northern Division of the Western District of Washington.

4. That on or about July 8, 1936, the defendants Vernon Paul Green and Jean Green, alias Gene-

vieve Scott, operated a house of prostitution located at 919 Washington Street, in the City of Seattle, in the Northern Division of the Western District of Washington.

5. That on or about July 9, 1936, at Seattle, in the Northern Division of the Western District of Washington, the defendant Jean Green, alias Genevieve Scott, conferred with the said June Allen, alias June Woods, relative to the practice of prostitution at 919 Washington Street, in the City of Seattle, in the Division and District aforesaid.

6. That on or about July 9, 1936, at Seattle, in the Northern Division of the Western District of Washington, the defendant Jean Green, alias Genevieve Scott, introduced June Allen, alias June Woods, to the defendant James Barker.

7. That on or about July 15, 1936, at Seattle, in the Northern Division of the Western District of Washington, [5] June Allen, alias June Woods, paid to the defendant James Barker, a portion of her earnings as a prostitute.

8. That on or about July 19, 1936, the defendant James Barker transported the said June Allen, alias June Woods, from the City of Seattle, in the Northern Division of the Western District of Washington, to the City of Portland, in the State of Oregon.

9. That on or about July 20, 1936, the defendant James Barker transported the said June Allen, alias June Woods, from the City of Portland, in the

State of Oregon, to the City of Seattle, in the Northern Division of the Western District of Washington.

10. That on or about August 4, 1936, at Seattle, in the Northern Division of the Western District of Washington, the defendant Jean Green, alias Genevieve Scott, introduced June Allen, alias June Woods, to the defendant Robert DeShay Lee, alias Sunnie Lee, alias Robert Dobson.

11. That on or about September 17, 1936, at Seattle, in the Northern Division of the Western District of Washington, June Allen, alias June Woods, paid to the Defendant Robert DeShay Lee, alias Sunnie Lee, alias Robert Dobson, monies, the exact amount being to the Grand Jurors unknown, which the said June Allen, alias June Woods, had earned practicing prostitution at the house of prostitution located at 919 Washington Street, in the City of Seattle, in the Division and District aforesaid, and operated by the defendants Vernon Paul Green and Jean Green, alias Genevieve Scott.

12. That on or about October 15, 1936, the defendant Robert DeShay Lee, alias Sunnie Lee, alias Robert Dobson, transported June Allen, alias June Woods, from the City of Seattle, in the Northern Division of the Western [6] District of Washington, to the City of Portland, in the State of Oregon.

13. That on or about May 30, 1937, the defendant Jean Green, alias Genevieve Scott, transported June Allen, alias June Woods, in interstate commerce from the City of Portland, in the State of

Oregon, to the City of Seattle, in the Northern Division of the Western District of Washington.

Contrary to the form of the statute in such case made and provided, and against the peace and dignity of the United States of America.

And the Grand Jurors aforesaid, upon their oaths aforesaid, do further present:

Count II.

That Vernon Paul Green, Jean Green, alias Genevieve Scott, Sherman Johnson, alias Ben Purvis, alias Ben Purvine, Robert DeShay Lee, alias Sunnie Lee, alias Robert Dobson, alias Robert Ambrose, James Barker, and Marie Harris, alias Marie Lloyd, alias "Johnnie", whose true and full names are to the Grand Jurors unknown, and each of them, on or about the eighth day of July, in the year of our Lord one thousand nine hundred thirty-six, at Seattle, in the Northern Division of the Western District of Washington, and within the jurisdiction of this Court, then and there being, did then and there knowingly, wilfully, unlawfully and feloniously transport, and cause to be transported, and did aid and assist in obtaining transportation for a certain woman, to-wit: June Allen, alias June Woods, in interstate commerce, from the City of Portland, in the State of Oregon, to the City of [7] Seattle, in the Division and District aforesaid, for immoral purposes, to-wit, for the purpose of prostitution, debauchery, concubinage and other immoral purposes at the City of Seattle, in the Division and District aforesaid; contrary to the form of the stat-

ute in such case made and provided, and against the peace and dignity of the United States of America.

J. CHARLES DENNIS

United States Attorney.

F. A. PELLEGRINI,

Assistant United States Attorney.

[Endorsed]: A true bill. Edward C. Oldfin, Foreman.

(Sgd.) J. CHARLES DENNIS.

[Endorsed]: Presented to the Court by the Foreman of the Grand Jury in open Court, in the presence of the Grand Jury, and Filed in the U. S. District Court Sept. 17, 1938. Elmer Dover, Clerk, By Truman Egger, Deputy. [8]

[Title of District Court and Cause.]

ARRAIGNMENT AND PLEA.

Now on this 23rd day of September, 1938, F. A. Pellegrini, Assistant United States District Attorney appearing for the plaintiff, the defendant Robert DeShay Lee, alias Sunnie Lee, alias Robert Dobson, alias Robert Ambrose, appears in open court for arraignment accompanied by his counsel H. L. Onstad, and answers that his true name is Robert DeShay Lee. The defendant waives the formal reading of the indictment and now enters a plea of not guilty as charged in the indictment.

Journal No. 26.

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[Title of District Court and Cause.]

VERDICT

We, the Jury in the Above-Entitled Cause, Find the defendant Vernon Paul Green is guilty as charged in Count I of the Indictment herein;
is guilty as charged in Count II of the Indictment herein;
and further find the defendant Genevieve Green is guilty as charged in Count I of the Indictment herein;
is guilty as charged in Count II of the Indictment herein;
and further find the defendant Sherman Johnson not guilty as charged in Count I of the Indictment herein;
not guilty as charged in Count II of the Indictment herein;
and further find the defendant Robert DeShay Lee is guilty as charged in Count I of the Indictment herein;
not guilty as charged in Count II of the Indictment herein;
and further find the defendant James Barker not guilty as charged in Count I of the Indictment herein;
not guilty as charged in Count II of the Indictment herein.

CHARLES W. BROOKS,

Foreman.

[Endorsed]: Filed Oct. 27, 1938. [10]

[Title of District Court and Cause.]

ORDER EXTENDING TIME FOR PRESENTATION AND ARGUMENT OF MOTION FOR NEW TRIAL.

The above entitled matter coming on for hearing on an oral motion by the defendants Vernon Paul Green, Jean Green, alias Genevieve Scott, and Robert DeShay Lee, alias Sunnie Lee, alias Robert Dobson, alias Robert Ambrose, and each of them, for an order extending the time and the present term of court for presentation and argument of the motion for a new trial, the defendants being in court in person and represented by their attorney, Geo. H. Crandell, the plaintiff being represented by United States Deputy Attorney, F. A. Pellegrini, and the Court being fully advised in the premises, it is

Ordered that the present term of court be deemed extended to the 5th day of November, 1938 for presentation and argument of motion for a new trial in the above entitled cause, and this cause for hearing said motion and the imposition of judgment and sentence upon said defendants is hereby continued to November 5, 1938, at 10 o'clock a. m.

Done in Open Court this 29th day of October, 1938.

JOHN C. BOWEN,
Judge.

Presented by:

GEO. H. CRANDELL

Attorney for Defendants.

[Endorsed]: Filed Oct. 29, 1938. [101½]

[Title of District Court and Cause.]

MOTION FOR NEW TRIAL

Come Now the defendants, Vernon Paul Green, Jean Green, alias Genevieve Scott, and Robert DeShay Lee, alias Sunnie Lee, alias Robert Dobson, alias Robert Ambrose, and each of them, and move the Court for an order granting to them a new trial in the above entitled cause for the following reasons:

1. Irregularity in the proceedings of the Court, jury and the plaintiff, and in the orders of the Court by which the defendants were prevented from having a fair trial.

2. Misconduct of the plaintiff and jury.

3. Accident and surprise which ordinary prudence could not have guarded against.

4. Insufficiency of the evidence to justify the verdict of the jury, and that such verdict is against the law.

5. Error in law occurring at the trial and excepted to at the time by defendants. [11]

6. That the Court upon the trial admitted incompetent evidence offered by the defendants.

7. That the Court upon the trial excluded competent evidence offered by the defendants.

8. That the Court improperly instructed the jury to the defendants' prejudice.

9. That the Court improperly refused, to defendants' prejudice, to give correct instructions tendered by the defendants.

10. The Court erred in refusing to direct a verdict of not guilty at the close of the Government's case.

11. The Court erred in refusing to direct a verdict of not guilty at the close of all the evidence.

This motion is based upon the files, records and proceedings herein.

GEO. H. CRANDELL

Attorney for Defendants.

Received a copy of the within motion for new trial this 28th day of October, 1938.

Attorney for Plaintiff.

Received a copy of the within Motion this 28th day of Oct. 1938.

J. CHARLES DENNIS,

Attorney for U. S.

[Endorsed]: Filed Oct. 28, 1938. [12]

[Title of District Court and Cause.]

(MOTIONS FOR NEW TRIAL DENIED.)

Now on this 5th day of November, 1938, F. A. Pellegrini, Assistant United States District Attorney appearing for the plaintiff, the defendants Vernon Paul Green, Genevieve Green and Robert DeShay Lee are in court, accompanied by their attorney, George H. Crandell, for hearing on motion of the defendants for a new trial. The motion is

argued, and denied as to each defendant. Exception is taken and allowed as to each defendant.

Journal No. 26.

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United States District Court, Western District of
Washington, Northern Division.

No. 44836

UNITED STATES OF AMERICA,

Plaintiff,

vs.

ROBERT DeSHAY LEE,

Defendant.

JUDGMENT AND SENTENCE.

Comes now on this 5th day of November, 1938, the said defendant Robert DeShay Lee, into open Court for sentence, and being informed by the Court of the charges herein against him and of his conviction of record herein, he is asked whether he has any legal cause to show why sentence should not be passed and judgment had against him, and he nothing says, save as he before hath said.

Wherefore, by reason of the law and the premises, it is

Considered, Ordered and Adjudged by the Court that the said defendant Robert DeShay Lee, is guilty as charged in Count I of the Indictment, and that he be committed to the custody of the Attorney General of the United States for imprisonment in

the United States Penitentiary at McNeil Island, Washington, or in such other like institution as the Attorney General of the United States or his authorized representative may by law designate, for the period of one year and one day. [14]

And the said defendant is hereby remanded into the custody of the United States Marshal for this District for delivery to the Warden of the United States Penitentiary at McNeil Island, Washington, for the purpose of executing said sentence. This judgment and sentence for all purposes shall take the place of a commitment, and be recognized by the Warden or Keeper of any Federal Penal Institution as such, to all of which this defendant excepts and his exception is allowed. Upon application of this defendant and consent of surety, over objection of U. S. Attorney, the execution of judgment and commitment thereunder as to said defendant is hereby stayed until November 7, 1938 at 10 o'clock a. m.

Done in Open Court this 5th day of November, 1938.

JOHN C. BOWEN

United States District Judge

Presented by:

F. A. PELLEGRINI

Asst. United States Attorney.

Violation of Section 88, Title 18, U. S. C. A.,
Conspiracy to violate Section 398, Title 18, U. S.
C. A. (Conspiracy to violate the White Slave Traf-
fic Act.)

[Endorsed]: Filed Nov. 5, 1938. [15]

[Title of District Court and Cause.]

NOTICE OF APPEAL.

Appellant: Robert DeShay Lee,

Address: Seattle, Washington.

Geo. H. Crandell, Attorney for Appellant, 1702
Smith Tower, Seattle, Washington.

Offense: Conspiracy to violate the Mann Act.

Date of Judgment: November 5, 1938.

Brief description of judgment or sentence: That appellant be committed to the Attorney General of the United States for confinement in the United States Penitentiary at McNeil Island, Washington, or a similar institution as he may designate, for a period of one year and one day.

I, the above-named appellant, hereby appeal to the United States Circuit Court of Appeals for the Ninth Circuit from the judgment above-mentioned on the grounds set forth below. Grounds of appeal:

1. Irregularity in the proceedings of the Court, jury and the plaintiff, and in the orders of the Court by which the appellant was prevented from having a fair trial.

2. Misconduct of the plaintiff and jury.

3. Accident and surprise which ordinary prudence could not have guarded against.

4. Insufficiency of the evidence to justify the verdict of the jury, and that such verdict is against the law.

5. Error in law occurring at the trial and excepted to at the time by appellant.

6. That the Court upon the trial admitted incompetent evidence offered by the appellant.

7. That the Court upon the trial excluded competent evidence offered by the appellant.

8. That the Court improperly instructed the jury to the appellant's prejudice. [16]

9. That the Court improperly refused, to appellant's prejudice, to give correct instructions tendered by the appellant.

10. That the Court erred in refusing to direct a verdict of not guilty at the close of the Government's case.

11. That the Court erred in refusing to direct a verdict of not guilty at the close of all the evidence.

ROBERT DeSHAY LEE,

Appellant.

GEO. H. CRANDELL,

Attorney for Appellant.

Received a copy of the within notice of appeal this 7 day of Nov. 1938.

J. CHARLES DENNIS,

Attorney for Pltff.

[Endorsed]: Filed Nov. 7, 1938. [17]

[Title of District Court and Cause.]

HEARING.

Now on this 16th day of November, 1938, F. A. Pellegrini, Assistant United States District Attorney appearing for the plaintiff, Attorney George H. Crandell appearing for the defendant, hearing re directions on appeal is had. Bill of Exceptions to be lodged with the Clerk on or before November 30, 1938, and time for settling fixed as December 5, 1938. Assignments of Error to be filed prior to Saturday morning this week.

Journal No. 26.

Page 281. [18]

[Title of District Court and Cause.]

ORDER EXTENDING TIME TO SERVE AND
FILE BILL OF EXCEPTIONS.

The above entitled cause coming on this day on motion of the defendant for an extension of time to serve and file its proposed Bill of Exceptions, both plaintiff and defendants being present and the court being fully advised in the premises;

It Is Ordered that the time for the defendant to serve and file its Bill of Exceptions be, and the same is, hereby extended until the 15th day of December, 1938.

Done in Open Court this 1st day of December,
1938.

JOHN C. BOWEN

Judge.

Presented by

GEO. H. CRANDELL

Attorney for defendants Green
and Robert DeShay Lee.

O. K. as to form.

J. CHARLES DENNIS,

U. S. Atty.

[Endorsed]: Filed Dec. 1, 1938. [19]

[Title of District Court and Cause.]

PRAECIPE FOR TRANSCRIPT OF RECORD.

To the Clerk of the above entitled Court:

You are hereby requested to make a transcript of the record in the above entitled cause and transmit the same to the United States Circuit Court of Appeals for the Ninth Circuit, and to include in such transcript of record the following:

1. Indictment;
2. Arraignment and plea;
3. Verdict;
4. Motion for New Trial;
5. Order denying Motion for New Trial;
6. Judgment and sentence;
7. Notice of Appeal;

8. Orders extending time within which to serve and file and settle Bill of Exceptions;
9. Assignments of Error;
10. Praecipe.

GEO. H. CRANDELL

Attorney for defendant,
Robert DeShay Lee.

Received a copy of the within Praecipe this 19 day of Dec., 1938.

J. CHARLES DENNIS,
Attorney for Pltff.

[Endorsed]: Filed Dec. 19, 1938. [20]

[Title of District Court and Cause.]

CERTIFICATE OF CLERK U. S. DISTRICT
COURT TO TRANSCRIPT OF RECORD
ON APPEAL.

United States of America,
Western District of Washington—ss:

I, Ehner Dover, Clerk of the United States District Court for the Western District of Washington, do hereby certify that the foregoing typewritten transcript of record, consisting of pages numbered from 1 to 20, inclusive, is a full, true and complete copy of so much of the record, papers and other proceedings in the above and foregoing entitled cause, as is required by praecipe of counsel filed and shown herein, as the same remain of record and on file in the office of the Clerk of said District Court at Seattle, and that the same constitute the record

on appeal herein from the judgment of said United States District Court for the Western District of Washington to the United States Circuit Court of Appeals for the Ninth Circuit.

I further certify that I transmit herewith as part of the record on appeal in this cause the original Bill of Exceptions and Assignments of Error filed in the cause.

In Witness Whereof, I have hereunto set my hand and affixed the official seal of said District Court at Seattle, in said District, this 30th day of December, 1938.

[Seal]

ELMER DOVER,

Clerk of the United States District Court for the
Western District of Washington,

By TRUMAN EGGER

Deputy. [21]

In the United States Circuit Court of Appeals
for the Ninth Circuit.

No. 44836

ROBERT DeSHAY LEE,
Defendant and Appellant,

vs.

UNITED STATES OF AMERICA,
Plaintiff and Appellee.

ASSIGNMENTS OF ERROR

Comes Now the appellant, Robert DeShay Lee, by his attorney Geo. H. Crandell, and in conformity to the Court's order that Assignments of Errors be served and filed on or before the 19th day of November, 1938, and in connection with appellant's appeal herein, makes the following Assignments of Errors, upon which appellant will rely in the prosecution of his appeal herein, to-wit:

Assignment of Error No. I.

The Court erred in overruling appellant's challenge to the sufficiency of the evidence and motion to direct a verdict in favor of appellant and against the Government of not guilty as to Count I in the indictment, for the reasons that there was no evidence by the Government remotely connecting appellant with the crime charged in Count I of the indictment.

Assignment of Error No. II.

The Court erred in denying appellant's challenge to the sufficiency of the evidence at the close of the entire case and in the refusal of the Court to direct a verdict of "not guilty as to Count I of the indictment" upon the ground and for the reason that there was no evidence, either upon the part of the Government or upon the part of the appellant or at all, remotely connecting appellant with the crime charged in Count I of the indictment. [22]

Assignment of Error No. III.

The Court erred in refusing appellant's requested instruction that the jury return a verdict of not guilty as to appellant on Count I of the indictment.

Assignment of Error No. IV.

The Court erred in refusing to give the jury a cautionary instruction with reference to the testimony of June Allen.

GEO. H. CRANDELL

Attorney for Appellant.

Office & P. O. Address:

1702 Smith Tower,
Seattle, Washington.

Received a copy of the within Assignments of Error this 18th day of Nov., 1938.

J. CHARLES DENNIS,

Attorney for U. S.

[Endorsed]: Filed Nov. 18, 1938. [23]

In the District Court of the United States for the
Western District of Washington, Northern
Division.

No. 44836

UNITED STATES OF AMERICA,

Plaintiff,

vs.

VERNON PAUL GREEN, GENEVIEVE
GREEN, SHERMAN JOHNSON, ROBERT
DESHAY LEE, JAMES BARKER, and
MARIE HARRIS,

Defendants.

BILL OF EXCEPTIONS

Be It Remembered that in the trial of this cause, beginning on the 20th day of October, 1938, and continuing to and including the 26th day of October, 1938, the Hon. John C. Bowen presiding; the plaintiff appearing and being represented by its attorneys, F. A. Pellegrini, Esq., and G. D. Hile, Esq.; the defendants, Vernon Paul Green, Genevieve Green, and Robert DeShay Lee, appearing and being represented by their attorney, George H. Crandell, Esq.; the defendant, Sherman Johnson, appearing and being represented by his attorneys, Mr. William Tucker, Esq., and Mr. Behrman, Esq., and the defendant, James Barker, appearing and being represented by his attorney, Jeffrey Heiman, Esq. The jury being duly impaneled and sworn, the following proceedings were had:

Mr. Pellegrini made an opening statement to the jury on behalf of the plaintiff. Mr. Crandell reserved his opening statement with the consent of the court until the close of the evidence by the plaintiff.

MARIE HARRIS,

being called as a witness on behalf of the plaintiff, being first duly sworn, testified:

Direct Examination

By Mr. Pellegrini:

I live at 1420 North Larabee Street, Portland. I work at Tom Johnson's Chicken Dinner Inn at Portland. I am acquainted with Ben Purvis; have known him six or seven years. He is the one [24] with a red sweater. (Witness identifies Sherman Johnson) I am acquainted with Vernon Paul Green, the man in the brown suit. (The witness identifies Vernon Paul Green) I have known him about two years. I met him at 1420 North Larabee Street, Portland, Oregon. Ben Purvis brought him there some time in July, 1936. He introduced me to Mr. Green and we talked a while. They asked to use the phone. I brought the phone downstairs. They asked me if they could have a girl come over—they wanted to talk with her. I said yes. In about twenty-five minutes June Allen came. I would recognize her. I let her in the front room. She stayed about half an hour and left. Vernon Green

(Testimony of Marie Harris.)

asked me if I had a girl friend, or some girl whom I knew, that I could call up and have her to see him that day. I told him that I did not have any girl friend. He said "that girl that just left is not my girl. I just wanted to talk with her. I have a wife in Seattle. She weighs 195 pounds." I do not know his wife. (Witness identifies June Allen) Green went to the front room and called his wife up. I did not hear the conversation. Then they got ready to leave and said they would probably see me later that afternoon. About 8:30 that evening Ben and Vernon came back to the house. They were there just a short time. The bell rang and it was June Allen. They talked a short time. They all left.

Cross Examination

By Mr. Heiman:

I do not know James Barker. I have never seen him in my life.

Cross Examination

By Mr. Crandell:

I do not know this gentleman (indicating Mr. Lee). I have only seen him since I have been here. I have been working at the Chicken Dinner Inn about five months. Before that I worked at the Kitchen Club. At the time Mr. Green came to my place I got up out of bed to let him in. It was about 10:30 in the morning. I worked [25] at the Kitchen Club at night and took care of the cover charge and check room. I saw him twice that day.

(Testimony of Marie Harris.)

I don't know that June Allen was at my place before that day.

Cross Examination

By Mr. Behrman:

I knew that Sherman Johnson went by the name of Ben Purvis; that he usually used that name in Portland. Do not know what Ben does. Have known him six or seven years. He didn't live at my place but he used to come there and see a girl, one of the entertainers. I don't believe he ever stayed over night. I know Doctor Unthank. Mr. Purvis did not call him for me. Ben brought Mr. Green over to my house that day in July. One man used the telephone. I don't know which one used it. After that, June Allen came and had a conversation with these men. I didn't hear it.

JUNE ALLEN

being called as a witness on behalf of the plaintiff, being first duly sworn, testified:

Direct Examination

By Mr. Pelligrini:

My name is June Allen—my true name is June Woods. I have used the name of June Allen approximately three years. I now reside in the Skagit County Jail. I have been there since the 6th of September, 1938. My occupation is prostitution. I

(Testimony of June Allen.)

have been a prostitute for three years, in Portland, Seattle, Aberdeen and Kelso. I am 21 years old. I have been convicted six times of the crime of practicing prostitution—twice in Portland and four or five times in Seattle. I am acquainted with Vernon Paul Green. He is the man sitting there with glasses on and a brown suit. I know Gene Green, the lady sitting with the woman there in the front row. I know Robert DeShay Lee, the gentleman sitting next to Mr. Green, facing me, with the brown suit. I know James Barker, the gentleman sitting next, closer to me, the man immediately behind Mr. Heiman. I know Ben Purvis or Sherman Johnson, the man [26] with the red sweater.

(The court lets the record show the witness identifies all of the defendants on trial.)

I met Vernon Paul Green first on July 4th, 1936, in the Tokio Cafe on Jackson Street, in Seattle. I was with two friends and another girl and was introduced to Mr. Green. I was with Hazel Sherwood and Ernest Strauder. I next saw Mr. Green on July 8th, 1936, in Portland, Oregon, with Mr. Purvis. That was the first time I had met Mr. Purvis. I met them at 1428 Northeast First Street, Portland, Oregon, where I was living. I was practicing prostitution there. I was introduced to Mr. Purvis at that time. Mr. Green asked me to come to Seattle to practice prostitution. I told him I didn't want to leave Portland. I saw him later that day at 1420 North Larabee Street, at Marie Harris'.

(Testimony of June Allen.)

Mr. Green asked me again to come to Seattle and I talked with him for a while and agreed to come. Marie Harris told Mr. Green that if he could stop me from drinking and running around so much I would be better off in Seattle than in Portland. She told me the same thing. Mr. Purvis was present. I agreed to go and meet him at her home later. I went back to 1428 Northeast First Street to pack my clothes and then I took a taxicab to 1420 North Larabee Street. Mr. Green, Mr. Purvis and I got in Mr. Green's car and started for Seattle. It was a white Ford convertible sedan. I do not know the model. We went to 919 Washington Street, Seattle. We drove directly from Portland to Seattle. Mr. Green drove to near Chehalis; Mr. Purvis drove the rest of the way. At 919 Washington Street we met Mrs. Green. On the way up to Seattle Mr. Green said if I did as he said it would be all right and he thought I could make more money in Seattle than in Portland.

Mrs. Green told me the details of how the house was run. She told me that the girls when they received their money from [27] each man put it in a drawer in the pantry off the kitchen and each night it was separated and I was to get half of it and she was to get half the money, and she was to get fifty cents for day money in addition to the half. We were to buy our own antiseptics and everything. At 919 Washington Street you come in the front door and turn to the left and come in the

(Testimony of June Allen.)

front living room and go straight into the second living room and straight from the second living room to the kitchen, and in the far corner to the right in the kitchen is the pantry. In the pantry there is a drawer that is divided into four slots. The back slot was used to keep the girls' health certificates and the other three slots for the girls' money. Each girl had a slot and puts in money according to the men she has during the day. I dropped my money in the slot where the name is designated on the back of it. The place is locked. The slots are concealed by the bread-board. As you come in the front door there is a flight of stairs to the upper part of the house. There are five rooms upstairs—two bedrooms used as sleeping quarters by Mr. and Mrs. Green. The rest is used by the girls. Mrs. Green's room is furnished quite elaborately. It has a Chaise lounge, a complete bedroom suite and a heavy carpet. The other room has a complete bedroom suite and carpet. The other three rooms used by the girls have a small bed, dresser and chair; there is also a large mirror on the wall alongside the bed. I lived at the Green house off and on for a year. Part of the time I lived at the Marr Hotel and Holland Hotel, both in Seattle.

I started practicing prostitution at 919 Washington Street, Seattle, on July 9th. When I arrived I went upstairs and went to bed. The following day Mrs. Green told me I would have to go to the Doctor's before I could go to work. She called the

(Testimony of June Allen.)

Doctor and told him I was coming. Mr. Green took me down as far as the building in his car. The Doctor's office was in the Fourth and Pike Building. [28] I saw him. His name is Edwin A. Gearhart. I was examined by him. Mrs. Green took my health certificate, put it in the slot with the other girls' cards, and then I went to work on the afternoon of July 9th, 1936. I worked from 12:00 noon until 2:00 o'clock in the morning. I discussed it with Mrs. Green and two other girls, Marie Smith and Marjorie Spencer. They were practicing prostitution at 919 Washington Street, Seattle, Washington. I continued there until July 16th, 1937. Then I left and went back to Portland.

I know James Barker. I met him a little over a week after I came to Seattle. He was visiting Mrs. Green. She told me he was an ex-boy friend of hers. They were drinking in the kitchen. I had a man in my room and had gone to put the money in the pantry and he asked me if I wanted a drink. I told him I didn't. After I let the man out, Mrs. Green told me it would not hurt me to have a drink with him. I didn't take a drink. The following day he called me up and wanted me to go out with him. I went out with him that evening. I started going with him in the evenings after I got off work and the 19th of July I called him up and told him I wanted to go to Portland and get my clothes; that I thought I would go on the bus that night after work and he said if I waited until the next

(Testimony of June Allen.)

day he would take me. He took me as far as Vancouver and I got out of the car and took the bus over into Portland. I told him to meet me at 1428 Northeast First, which he did. I got my clothes packed and he drove me back to Seattle. Up until that time I was keeping my money and spending it. After that I gave it to Mr. Barker every night. I gave him all I made except what I just had to have for myself. The money would be given to me when I got off work. He would meet me in front of the house and on the way down town I would give it to him in the car. This continued until the 18th of August, 1936. On [29] the trip to Portland Mr. Barker was stopped in Tacoma for speeding. He had to go back to the police station and post \$25.00 bail. Then he went down to Vancouver. I see the officer in the court room in a gray suit, the red-haired gentleman. Before getting out of the car at Vancouver I had a conversation with Mr. Barker that he was to meet me in Portland. He said he wasn't going to be caught taking any girls across the line. Mr. Barker drives a 1936 Buick sedan with California license plates.

I am acquainted with Robert DeShay Lee. I met him on the 4th of August, 1936, at 919 Washington Street, in Seattle. He drove past the house and waved at Mrs. Green. She said "Don't wave back at him; that is Sonny Lee and if you do he will be back in half an hour". He came back and asked Mrs. Green who was the girl. She called me to the

(Testimony of June Allen.)

kitchen, introduced me to him, and he asked me to go out with him and I went. He wanted me to move in with him and I told him I was already going with Mr. Barker. I moved in with him on the 15th of August, 1936. I gave him all the money I made. I had a conversation with him the latter part of November, 1936, with reference to my earnings. I had been sick one day and the girls had called the doctor and I had paid the doctor and I told him that. The next day I tucked some of the money in the bed and when I got out in the car I gave him some and he asked me where the rest of the money was and when I said that was all I had he said I was lying and started to slap me. I was not able to hold out the balance of the money. I gave Sonny Lee all I made for approximately nine months off and on. I did not live with him continuously. I lived with him about seven months of the time. I started to live with him first on the 18th of August, 1936, and lived with him about two months. I moved away from him and about two weeks later I started living with him again for about a month and a half. That continued on for a period of about [30] nine months. I made one trip to Portland with Sonny Lee the latter part of September, 1936. I had mentioned for several days that I wanted to go to Portland to see my mother and son, who were both ill. He said, "No, when I get ready I will take you." I took a small bag and had several dresses in it and when I arrived in

(Testimony of June Allen.)

Portland they were missing. While I was in the closet later getting a coat I found them thrown behind the furniture so I could not take them with me. I spoke to Mrs. Green about it and she told me Lee had placed clothes there so I couldn't take them. I stayed in Portland one night and two days. I stayed with him at night. I had intercourse with him that night. In addition to the money, I gave him a combination cigar lighter and clock at Christmas, 1936. I got it at Ben Bridges Jewelry Store. Mr. Green told me I could use his name as reference if I didn't have the money.

(Witness identifies Exhibit 1 as the clock that she bought and gave to Mr. Lee at Christmas, 1936. Exhibit 1 admitted in evidence as against Sonny Lee only. Jury so instructed by court.)

It was purchased on the 23rd of December, 1936, at Ben Bridges' Jewelry Store, Seattle, Washington. I gave it to him on Christmas Day. On the trip to Portland we stopped at Vancouver and I got out of the car and took the bus to Portland. I later met Mr. Lee at the home of Myrtle Barno, 3236 North Vancouver Avenue, Portland.

I made a trip to Portland with Mrs. Green on Decoration Day, 1937. Mr. Lee drove a big LaSalle sedan. On Decoration Day, 1937, Mr. James West drove the car when Mrs. Green and I went to Portland in Mr. Green's car. I was going to go down on the bus. Mrs. Green told me if I would wait until

(Testimony of June Allen.)

the morning of Decoration Day she would take me down in the car, a 1936 Lincoln Zephyr. We went all the way to Portland and went to my mother's home. Mrs. Green accompanied me. I visited my mother on the trip with Mr. Lee. Mr. Lee did not accompany me to my mother's home. [31]

The exhibit marked No. 2 for identification is Mrs. Green's photograph album kept in the high-boy at 919 Washington Street. It was there during all of the time I was there. There are pictures of me in the album.

(Exhibit 2 admitted and limited in its effect to the defendants Mr. and Mrs. Green, and Jury so instructed by the court.)

Exhibit 2 contains a picture of Mr. Green's family, I think, but I am not sure. The middle picture is Mrs. Green and the end picture Mr. Green. The picture indicated is a part of their yard. The picture on the right side is their home. On page three is a picture of a man that used to visit Mrs. Green quite often. The middle picture is Mr. and Mrs. Green. The end picture is Mr. Green.

The middle picture on page five is of Marjorie Spencer, one of the girls that practiced prostitution in the house while I was there.

Mrs. Green is in the first picture on page six; Mrs. Green and dog are in the second picture and Mrs. Green and dog are in the third picture.

Helen Dennett is in both pictures on page eleven. On page twelve, the first picture is Mrs. Green, the

(Testimony of June Allen.)

second Marjorie Spencer, and the third is Mr. Green and his car.

On page fourteen, Mr. Green is in the first picture and the second and third pictures are of his car.

The first picture on page nineteen is of Marie Smith, one of the girls that worked at the house while I was there. I do not know who is in the middle picture. The picture on the right of the page is of myself.

The first picture on page twenty-one is of Mr. Green and his mother. The middle picture is of the dog and the end picture is of Sally Winslow, the girl that James Barker was going with [32] when I first met him.

The lefthand picture on page twenty-two is of Sally Winslow. I do not know the other girl. The other two pictures are of Mrs. Green and the dog and Marie Smith. The end picture is of Marjorie Spencer.

Marjorie Spencer is in all three of the pictures on page twenty-three.

Sally Winslow is in the loose picture on page twenty-four. I do not know the other girl or the man. The second picture from the left that is opposite on the page is of myself.

The pictures on page twenty-five and twenty-six are of myself with the dog. It shows a portion of the house at 919 Washington Street.

(Testimony of June Allen.)

The first picture on page twenty-seven is of Maxine. I do not know the last name. The second picture is of Marjorie.

This is a picture of Mr. Green's Ford sedan (indicating), the car I came up from Portland in. These are pictures of Mr. Green's Lincoln Zephyr (indicating), the car I went to Portland in with Mrs. Green.

Cross Examination

By Mr. Heiman:

I lived in Portland. I practiced prostitution there for about five months. We came to Seattle on the Fourth of July, 1936, just for the day. I didn't work in Seattle. I didn't know Mr. Barker at the time. I was here in Seattle when my father was in the hospital in 1930. I did not know Mr. Barker then. I went back to Portland, where I was working. After this Fourth of July incident I went back to Portland and was working there and came back to Seattle July 8th, 1936. I met Mr. Barker a week after I came to Seattle to work. He had nothing to do about enticing me to come to Seattle in the first instance. I met him about the fifteenth. Mrs. Green introduced him to me. It was not unusual to find [33] colored persons in this house of prostitution. I had associated with them before. I had no objections to associating with them. When I met him and he asked me to go out with him that was not the first time I had gone out with colored men. I became friendly with him. I stated in direct-examina-

(Testimony of June Allen.)

tion that I had no conversation with Mr. Barker with reference to my earnings. I had forgotten it. When I gave him part of them he asked me where the rest of it was. No one forced me to go out with Mr. Barker.

After I met him I advised him I had a boy in Portland, who was in the custody of my mother. He was a year old then. I received a letter from my mother, wherein there was enclosed or wherein there was written on one page a sort of diagram of the baby's hand. I may have showed it to Mr. Barker. I later asked him to take me down to see the child. Instead of going to see the child I went for the sole purpose of getting my clothes; I wanted to see my child but there would not have been time if I worked the next day.

I did not have any form of immoral act with anyone whatsoever in Portland. I returned to Seattle the same day. It is not true that I was going to Portland by bus and Mr. Barker was going to take me to the bus station and I missed the bus. I told him I was going on the bus that night after work and he said "If you will wait until tomorrow I will take you down". I got out at Vancouver and took a bus across to Portland. He came and called for me in Portland and I returned with him to Seattle.

I did not meet Mr. Barker every night. When I got in the car he would ask me where my money

(Testimony of June Allen.)

was. On the nights I didn't meet him I gave him money. He would come down to the hotel room where I was living. A part of this time I was living with Mr. Barker at the Marr Hotel under my name. Part of the time I was living at the Atlas Hotel. He did not force his intentions upon [34] me. It was his suggestion I give him the money. I did not have to give him money. He told me he would make it quite unhealthy for me if I didn't. I ran away a couple of days and didn't give it to him. He came to the house and chased me down the street while ice and snow was on the ground.

I gave money to Mr. Lee. I didn't give any to Mr. Barker when I was giving it to Mr. Lee. When I was giving it to Mr. Lee Mr. Barker did not do anything to me after I left him. Mr. Barker did not at any time force me to attend any parties or clubs with him. I went with him until about the 18th of August, 1936.

When we were stopped in Tacoma by the police I advised the officer I was going to Vancouver. I was not going to Vancouver but to Portland. I lied to the officer. I am telling the truth now. I have lied before when I took the witness stand. I admit I have committed perjury. I have not been convicted of it. I have been convicted of prostitution approximately seven times.

(Testimony of June Allen.)

Cross Examination

By Mr. Behrman:

I came over to Seattle on July 4th, 1936, with Ernest Strauder and Hazel Sherwood. I have never been married. That was after my child was born. That afternoon I was at the Tokio cafe. We were down there eating. Mr. Strauder introduced me to Mr. Green. I had no conversation with him other than the acknowledgment of the introduction. I was a prostitute at the time. I did not have any conversation with him at that time. Mr. Strauder did. He told Mr. Green we were staying at the U. S. Hotel and were going back to Portland that night. Mr. Strauder told him where they lived in Portland and told him I was staying there and he asked him if he came to Portland to be sure and see him. Strauder lived in the same house as I did in Portland. He was going with my girl friend. He told him we were all together, at 1428 Northeast First Street. It was a private home, Hazel Sherwood was running it at [35] the time. It was a house of prostitution. She sold drinks. I made no arrangement to see Mr. Green after he came to Portland. Mr. Green said he expected to be in Portland before very long. I stayed at the Tokio Cafe about three-fourths of an hour. We were sitting at a table; Hazel, Ernest and I were eating. I was not taking any part in the conversation because I did not know the man so well. I sat there for forty-five minutes

(Testimony of June Allen.)

and didn't talk at all. I went back to Portland with the people who brought me. There were no arrangements to see Mr. Green in Portland. At that time Ben Purvis hadn't entered into the picture at all.

I got a telephone call on July 8th at my residence. I went to Myrtle Barno's house to make a call. While I was there another call came in for me. Hazel Sherwood, the proprietress, knew where I had gone. I cannot say who called. I had no telephone conversation with either of the defendants on July 8th. The call was sent in for me at Myrtle Barno's and I was busy so Myrtle Barno accepted the call and when I came downstairs she said I was to go to Marie's Harris' house. When I got to Marie Harris' house, Mr. Green and Mr. Purvis were there. There was another woman but I don't know who she was. I was there about an hour. I had met Ben Purvis early in the day at 1428 Northeast First Street, Portland. Mr. Green brought him there. I merely acknowledged his introduction. I had no conversation with Ben Purvis over at Marie Harris' house. I first learned that Mr. Green, or other members of his family, was interested in a place in Seattle on July 4th, 1936. After we left the restaurant Mr. Strauder told me. After I got over there I had a conversation with him and Marie Harris about whether I would go to Seattle. Ben took no part in it. He did not advise me to go to Seattle and no one represented that he was inter-

(Testimony of June Allen.)

ested in prostitution. No one represented to me that he had any interest in this place in Seattle or Portland, or [36] anywhere else. He made the trip when the three of us came over here. Mr. Purvis did not make the suggestion that if I stayed sober and didn't run around that I could do better in Seattle than in Portland. The suggestion was made by other defendants. I got to Seattle close to midnight. I got out of the car and stayed that night at Mr. Green's residence. I don't know where Mr. Purvis stayed. I had gone to bed when Mr. Purvis left. I stayed at the house the second night. I believe they got gasoline and oil and serviced the car; I am not sure of it. I did not see Ben pay any money for gasoline or other commodities to service the car.

Cross Examination

By Mr. Crandell:

“Q. The case, at least one case in which you committed perjury, was a case against Jack Clark?”

A. Yes.

Q. Jack Clark was charged with a white slave charge, was he not?

A. Yes.

Q. And that charge was in the Federal Court?

A. Yes, I was brought before the Commissioner.

(Testimony of June Allen.)

Q. It was in Federal Court before the Commissioner, was it not?

A. Yes.

Q. You were taken there as a government witness, wasn't you?

Mr. Pelligrini: At this time I would like to have Jury instructed, about the difference between the Commissioner and the Federal Court.

The Court: Motion denied.

Q. It was in the Commissioner's Court?

A. Yes.

Q. And you were under oath?

A. Yes."

I testified in Tacoma on a white slave charge against a man from Aberdeen as a government witness. I have also testified [37] against James Clavin Obey, also Melrose Booth in Tacoma, also against Mr. and Mrs. Proctor and Leon Wells. I testified against seven people in white slave charges. I have been before the Grand Jury on these defendants. There were two boys in a stolen car case. Mrs. Williams and I testified against Jackson. I was a witness for the government. I was instrumental in sending two Portland boys to the penitentiary when I was sixteen. I was arrested in their company. We were out on a lark away from Portland and had been gone over night. I turned and testified against them and they were sent to the penitentiary with reference to a stolen automobile. I had been a passenger in that automobile.

(Testimony of June Allen.)

I started life as a prostitute February 1, 1936. I remember the date perfectly. I was eighteen years old. My first patron was a colored man. My patrons have been colored and white. Since I was sixteen years old I have lived with about eight different colored men. I am twenty-one now. The longest time I lived with any one colored man during those five years is seven months.

I came to Seattle July 4th with Mr. Strauder in an automobile. We put up at the U. S. Hotel. I cannot tell the room. I was in Seattle in 1930 and stayed over night with my mother. I have gone between Portland and Seattle one other time than testified to upon direct-examination. I don't remember the date. It was in the spring of 1937. I went on the bus by myself.

I was brought from Aberdeen to Seattle. I was not brought between Seattle and Portland on any other occasion. The telephone number in the house in Portland where I lived when I met Mr. Green on the 8th of July, 1936, was East 8566, I believe, listed under the name of Hazel Sherwood.

On Decoration Day, when I went to Portland with Mrs. Green, we left about four o'clock in the morning and drove to my mother's place in Portland. We came back that same day. The [38] purpose of the trip was to decorate my baby's grave. I went over to a place where they sold drinks and had several drinks. I was not taken down there for the purpose of prostitution. I was taken down for the

(Testimony of June Allen.)

purpose of a brief devotion to my dead child. I took Mrs. Green to my mother's place and told my mother that Mrs. Green had been more of a friend to me than any other woman had been for a long time. Mrs. Green has always been a good friend to me.

I came to Seattle on the 8th of July, 1936, and met Mr. Lee on the 4th of August, 1936. I went back to Portland on the bus in the early Spring of 1937 to see my mother and baby. I was there two days and cannot give the date. I went to Portland with Mr. Lee in the latter part of September. I cannot give the date now. On direct examination I told the Prosecutor it was the latter part of September. I cannot tell the month, nor the day of the month, that I went to Portland in 1937. I wanted to go and see my mother and son and I asked Mr. Lee to take me because of that fact. That was the only reason I had to go and that is the only reason I gave him, and when I got there that is where I went. I went to my mother's place about 9:30 or 10:00 o'clock in the morning. I stayed there until 4:00 o'clock. I returned to Seattle the following day. I went to Portland for the sole purpose of seeing my mother and baby and stayed there a part of two days and one night and was only with my mother part of one day.

Of the eight colored men whom I have lived with, I claim to have been giving all of my money to six. I didn't give money to James West. He lived in

(Testimony of June Allen.)

Seattle. I lived with him about two weeks in the Yesler Apartments, a two-room apartment. The other man with whom I lived and didn't give any money was Dick; I cannot tell you the last name. I lived with him just a short time—about [39] two weeks at the Holland Hotel, room 309. He had no business that I know of. I don't know what he makes a living at. Of all the men I lived with, this one had no business. I lived with him two weeks and gave him no money. I gave money to James Obey, with whom I lived about four months in Portland and Aberdeen. He is now in the penitentiary. I gave money to Arthur L. Richardson, with whom I lived in Portland for about a month. I lived in his apartment at 15 Northeast Halsey Street, a four-room apartment. I cannot think of the names of the others.

(Whereupon Mr. Heiman moved the court for an order striking the testimony of the witness on the ground that she had admitted the crime of perjury, to which motion Mr. Crandell joined on behalf of the defendant Lee. Motion denied. Exception allowed.)

Redirect Examination

By Mr. Pelligrini:

Prior to commencing prostitution in Seattle on July 8, 1936, I never was convicted of crime. After I was in Portland with Mrs. Green in May, 1937, I came back to Seattle and practiced prostitution

(Testimony of June Allen.)

at 919 Washington Street. After I made the trip to Portland with Mr. Lee and came back in 1936 I practiced prostitution at 919 Washington Street, Seattle, Washington. After I came back from the trip from Portland with Mr. Barker and Mr. Green I practiced prostitution at 919 Washington Street, Seattle, Washington.

I testified in Tacoma against James Gillford, Obey and Booth. They entered pleas of guilty in the District Court. I testified against the Proctors, Jackson, and so forth. They were convicted. [40]

Recross Examination

By Mr. Crandell:

The following occurred:

“Q. You testified in this court in a white slave case, United States vs. Proctor?”

A. Yes.

Q. And I asked you there if you have testified in Federal Court in a white slave case before, and you answered in the negative, didn't you?

A. No.

Q. You didn't say that you had not testified in Federal Court, against anyone else, when I asked you that question in the case of the United States vs. Proctor?

A. I had never been in the court.

Q. You had been in Tacoma and testified and didn't you say you had not testified in a former case?

(Testimony of June Allen.)

A. I testified before the Grand Jury.

Q. I didn't ask you if you testified before the Grand Jury. I asked you if you didn't testify in a former trial—in the case just tried last week—and you said that you had not testified in Federal Court in the Clark case, didn't you?

A. Yes.

Q. Then your answer was false, wasn't it?

Mr. Pelligrini: Testifying before the Grand Jury is different than before the court, maybe she didn't know the difference.

Mr. Crandell: I object to counsel's remarks; it is a deliberate attempt to put the words in the witness's mouth.

The Court: She may answer the question.

Q. Your statement was false, wasn't it?

A. Yes, and I might also say that I don't know the difference between those things.

Q. You knew it was false when you testified, didn't you?

A. I don't know the difference between those things.

Q. Did you ever have a subpoena issued to you by the District Judge, to appear before the Grand Jury?

A. Yes.

Q. And also, under oath? [41]

A. Yes.

(Testimony of June Allen.)

Q. You knew that when you testified; you had given any testimony, that you were testifying falsely?

A. You asked me if I had testified in court.

Q. I am asking you if you knew all of those facts when you said you had not testified before, when you knew you had?

A. Yes.

The Court: Do you want to explain your answer?

A. I don't know whether it was before the Grand Jury or before the Federal Court.

Q. But you did know that you had a Court subpoena to appear, didn't you?

A. I had a subpoena to appear before the Grand Jury and I have it with me.

Q. You have it with you?

A. Yes.

Q. May I have it?

A. Yes. (Witness hands counsel subpoena)

Mr. Crandell: Mark this for identification.

Mr. Crandell: I offer in evidence, defendant's Exhibit A-1.

Mr. Pelligrini: No objection.

The Court: It is admitted.

Whereupon said subpoena was received in evidence and marked defendant's Exhibit A-1."

(Testimony of June Allen.)

DEFENDANT'S EXHIBIT A-1

is as follows:

United States of America

In the District Court of the United States for
the Western District of Washington

The President of the United States of America,
June Allen c/o F. B. I., Portland, Oregon

No. 44836

Defendant Exhibit A-1

Adm Oct. 21, 1938

Greeting:

[42]

You Are Hereby Comanded, That all and singular business and excuses being laid aside, you attend as witness to testify generally on behalf of the United States before the District Court of the United States for the Western District of Washington, at the City of Seattle; your attendance is to commence on the Forthwith day of at o'clock in thenoon, and you are not to depart the court without the leave of the court or the District Attorney.

And this you are not to omit, under pain of being adjudged guilty of Contempt of said Court.

(Testimony of June Allen.)

Witness, the Hon. John C. Bowen, Judge of the said Court, this 6th day of September, 1938.

ELMER DOVER

Clerk

By ELMO BELL,

Deputy Clerk.

J. CHARLES DENNIS,

U. S. Attorney."

Mr. Heiman: At this time I renew the motion on behalf of the defendant Barker to strike the testimony of the witness where we have an admission of perjury in reference to some other proceeding before the Court and by virtue of this, there has been perjury committed in this case in the presence of Your Honor.

The Court: Motion denied.

Mr. Heiman: An exception.

The Court: Exception allowed.

Mr. Crandell: I join in the motion on behalf of the defendants Green and Lee. [43]

The Court: Motion denied.

Mr. Crandell: An exception.

The Court: Exception allowed."

I told Mr. Pelligrini I was not arrested for the crime of prostitution prior to July 8, 1936. I do not want the court and jury to believe I was not practicing prostitution prior to that date. I had been practicing prostitution at that time about five months. I had never been arrested.

H. A. KING

being called as a witness on behalf of the plaintiff, being first duly sworn, testified:

Direct Examination

By Mr. Hile:

My name is H. A. King. I am special agent for the Federal Bureau of Investigation. I have been such agent for over eight years. I know Ben Purvis, also known as Sherman Johnson. I identify him as that man in the red sweater with the red stripes on the sleeve. I met him September 1, 1938, at 1726 Northwest 15th Avenue, Portland, Oregon. I had a conversation with him at that time. I was with Detective Lawrence O'Halloran of the Portland Police Department, and special agent A. V. M'Kean, and we took Mr. Purvis to the Portland Police Department and questioned him. When we first arrested him we identified ourselves and at the Police Department we asked him if he knew Vernon Paul Green, June Allen and Marie Harris. He stated he did. He stated he had known Vernon Paul Green for a number of years; that he had known Marie Harris, or Johnny Lloyd, for several years. I wrote down a statement which contains the information which he furnished us. The exhibit marked for identification, No. 3, was a statement Mr. Johnson made to me on the evening of September 1, 1938. The signature is of Sherman Johnson and my own signature appears on the second page. [44] Sherman Johnson's signature appears in two places. The ini-

(Testimony of H. A. King.)

tials of Sherman Johnson appear on the first page. Sherman Johnson signed the statement. He read the statement before he signed it. I advised him who I was and told him he did not have to make a statement unless he wished to. The information which he furnished me I wrote down in my own words.

(PLAINTIFF'S EXHIBIT 3

for identification admitted as against Sherwin Johnson only, and Jury so instructed by the court.)

The exhibit is as follows:

“Portland, Oregon
September 1, 1938

I, Sherman Johnson, make the following voluntary statement to H. A. King, special agent, Federal Bureau of Investigation. I have been advised that this statement may be used against me.

I sometimes go by the name of Ben Purvis, that is my nickname. I am fifty-one years of age, born Fort Worth, Texas, August 9, 1887. I have been living in Portland, Oregon, about 16 years. I have known Vernon Green about ten or eleven years. About two years ago, the exact date I do not recall, I was at Johnnie's place on North Larrabee near Interstate. Vernon Green was there too and a white girl named June came to Johnnie's. I do not know just

(Testimony of H. A. King.)

why she came there. Vernon was talking with her but I didn't overhear all the conversation.

Anyway later that evening I drove to Seattle with June and Vernon Green. We went in Green's Ford Sedan. He drove the car all the way. When we got to Seattle we went to Vernon's house and June was still there when I left. I did not spend the night at Green's but went to Willie Morris' place. I do not recall the address. I stayed in Seattle seven or eight days that time and then returned to Portland with John Lucas. I saw June at Green's place several times while in Seattle. I did not have sexual intercourse with June at any time. June never gave me any money. I have never seen June since.

I have read the foregoing two page statement and hereby certify that it is true to the best of my knowledge and belief.

(Signed) SHERMAN JOHNSON

Witness:

H. A. KING

Special Agent, F. B. I.

Portland, Oregon, Sept. 2, 1938

In addition to the above, I wish to state that Johnny Lloyd was present at her house when Vernon Green, June Wood and myself were there before we went to Seattle.

(Signed) SHERMAN JOHNSON"

(Testimony of H. A. King.)

Cross Examination

By Mr. Behrman:

The statement was given voluntarily by Ben. He made no objections to giving it to me. I had no reason to doubt the truth of it. It has reference to Johnny's place and I afterwards learned that this Johnny was the same lady as the witness, Marie Harris.

Cross Examination

By Mr. Crandell:

I have never been at Johnny's place. I do not know the reputation it has.

L. L. CLOUGH

being called as a witness on behalf of the plaintiff,
being first duly sworn, testified:

Direct Examination

By Mr. Pelligrini:

My name is L. L. Clough. I reside at Tacoma. I am a City Police Officer. At the present time I am a Patrolman. I was a Motorcycle Officer for six years. During 1936 I was attached to Motorcycle detail. I am acquainted with the defendant Barker, the last one on the right. I met him on July 20th, 1936. I was on South Tacoma Way and he was traveling South of the City, heading towards Portland or Olympia and I arrested him for speeding.

(Testimony of L. L. Clough.)

June Allen was with him. After his arrest I took him to the Police Station. I asked him where he was headed for and he said he was taking her to Vancouver. He posted his bail and drove away. He headed South on Pacific Avenue—that leads to highway 99. He was driving a Buick Sedan with a California license.

“Q. Have you the arresting card there?

Mr. Heiman: I cannot see the materiality of that; we don't question this.

Mr. Pelligrini: Do you admit it?

Mr. Heiman: Of course, I admit it.” [46]

EDWIN A. GEARHART

being called as a witness on behalf of the plaintiff,
being first duly sworn, testified:

Direct Examination

By Mr. Pelligrini:

My name is Edwin A. Gearhart. I reside in Seattle. I am a physician and surgeon. I office at 715 and 716, Fourth and Pike Building. I have been at the Fourth and Pike Building for about four years. Was there July, 1936. I am acquainted with June Allen. I saw her first about two years ago.

Exhibit marked, for identification, No. 4 is a day book I keep in my office of the daily work. I keep it in my own handwriting and all office work is entered in the book.

(Testimony of Edwin A. Gearhart.)

Cross Examination

By Mr. Crandell:

I suppose after I sat down and recalled the book, I think I can remember what is in the book in the month of July, 1936. I think I can remember her being there during that time. I can recall other cases at that time.

Direct Examination Resumed

By Mr. Pelligrini:

I have examined the book and refreshed my recollection as to the first date I saw June Allen; it was July 9, 1936. I saw her in my office. At that time I made a vaginal examination for her. The purpose was to see whether there was any syphilis disease or not.

(Exhibit 4 withdrawn).

THOMAS P. GERHARTY

being called as a witness on behalf of the plaintiff,
being first duly sworn, testified:

Direct Examination

By Mr. Hile:

My name is Thomas P. Gerharty. I am an investigator at present. My former occupation was special agent of the F. B. I. [47] I severed that connection July 6, 1938. I knew a man by the name of Barker.

(Testimony of Thomas P. Gerharty.)

I see him in court. He is the gentleman behind Mr. Heiman. I met him on one occasion before in the City Jail in San Francisco on June 28, 1938. I interviewed him at that time and he made a verbal statement to me. It was not reduced to writing. I notified him of my position as a special agent of the F. B. I. I showed him my credentials and then asked him if he cared to make a statement. I told him that anything he might say might be used against him. Whereupon he said he was born in Detroit on February 14, 1902, and that his mother was residing in Detroit. Then I asked him about a trip he made and about his experiences in Seattle. He told me he left the City of Minneapolis on the first part of July, 1936, in his automobile, a Buick, in the company of a colored boy named Eddie Meade, and came to Seattle. A short time after he came to Seattle he met Vernon Paul Green and Mrs. Green, and had called at their residence.

(The court instructs the Jury that the statement with reference to Barker's admissions would be used against Barker only.)

That at the residence of Mr. and Mrs. Green he met June Allen; that he knew the place was operated by the Greens as a house of prostitution. On July 20, 1936, he asked June Allen to go for an automobile ride in his Buick. They went as far as Tacoma, where he was arrested for a parking violation; that June Allen got out of the car, took the

(Testimony of Thomas P. Gerharty.)

bus, and returned to Seattle; that he put up a cash bail for his release. He told me he didn't care to make any written statements.

Cross Examination

By Mr. Heiman:

There was no antagonism. We were quite friendly. I think I gave him cigarettes. I have no personal knowledge re- [48] garding the truth except what he told me. I have refreshed my recollection by my report I made at the time. I made a report to the F. B. I.

LYLE LEWIS

being called as a witness on behalf of the plaintiff, being first duly sworn, testified:

Direct Examination

By Mr. Pelligrini:

My name is Lyle Lewis. I reside at 602 Melrose North. I am Credit Manager of the jewelry department of Ben Bridges' Jewelry Store. I am acquainted with Vernon Paul Green. I first met him in the store where I am employed. He was employed as an outside salesman, selling jewelry. He went to work in 1934, worked off and on for a year and a half afterwards. I am acquainted with June Allen. I met her in December, 1936. Mr. Green brought her into the store to make a purchase. She

(Testimony of Lyle Lewis.)

made her purchase and arranged a charge account.

Exhibit No. 5 is the conditional sales contract and bill of sale for merchandise purchased by June Allen and signed by her. It is part of the permanent records of the store of Ben Bridges kept in the ordinary course of business. It was made on December 24, 1936. Part of the entries were made in June and July, 1927. As transactions occurred with June Allen they were entered on this card by myself. All except the signature of June Allen, in the right hand corner, is in my handwriting. Mr. Lee was not present but Mr. Green was present when it was made. Exhibit 1 was purchased by June Allen on December 24, 1936. The evidence on plaintiff's Exhibit 5, for identification is the purchase of the clock.

(Exhibit 5 offered and received in evidence as against Vernon Paul Green and Robert DeShay Lee only.) [49]

8-1937

No. 44836
 PLAINTIFF EXHIBIT 5
 Qdm 10/21/38 Limited Admission

TRAY PD

NAME **ALLEN, MISS JUNE**
 ADDRESS **511 MAYNARD ST Washington** ADDRESS **428 7th St Portland** NO. **8268**
 PHONE **H.P. MA. 3531 EL 0469** ADDRESS
 TERMS **\$6.00 DOWN**
 RATE **\$3.00 WEEK**
 ARTICLE **GRAND MOUND Wn. Tacoma, Wn.**

1936	Stock No.	DEBIT	1936 CREDIT	BAL.	DATE	CREDIT	BAL.	DATE	CREDIT	BAL.	REMARKS
1/24	RICE	1250		1250							1/24/37 Paid by the
6/13	GRACE	250		1000							1/24/37 Cash letter
4/17	REP	150		850							6/1/37
			350	500							9/1/37
			350	150							10/1/37
			100	50							11/1/37
			700	3280							12/1/37
			5	2980							1/1/38
			3	2680							3/1/38
			14	2830							4/1/38
			5	2530							7/1/38
			3	2230							
			3	1930							
			3	1630							
			3	1330							

THIS IS TO CERTIFY That June Allen, the undersigned, have purchased from BEN BRIDGE, Seattle, Wash., No. 8268, on which I (We) agree to pay \$200 on the 24 day of Dec, 1936, and to make payments of \$200 each succeeding week hereafter until the entire amount of \$200 is paid in full. All payments are to be made at the place of business of BEN BRIDGE, Seattle, Wash.

I (or we) hereby agree that my (or our) purchase of any merchandise any time from BEN BRIDGE is to be added to my original contract and be a part thereof and include each and every condition stated in said contract.

It is further agreed that if default be made in the payment of any of said installments when due, or in the event of any misrepresentation or false statement made by the undersigned to the above named seller, in answering any of the questions contained hereon, or with reference to the credit or financial standing of the buyer, or should seller ascertain before or after delivery of the merchandise that I am (we are) about to leave the city, or upon violation by the said buyer of any of the other conditions of this agreement, the seller may take immediate possession of said goods without notice and with or without legal process, and in such case all sums paid hereunder shall be retained by him as liquidated damages and for use of said property; or, at seller's option, the entire balance remaining, unpaid on this contract shall immediately become due and payable (at the option of the seller and) without notice to the buyer, and should said merchandise be then in the possession of the seller, or in his possession at any time buyer is in default, he may retain possession of same as merchandise and demand payment immediately of the unpaid balance.

It is further agreed that the title and right to the possession of said property shall remain in the seller until same is fully paid for, together with any additional charges on same, and in the event said merchandise is injured, destroyed by fire, lost or stolen, or in any manner rendered valueless to either party, the said buyer or his assigns agree to continue payments on same under the conditions of the original terms of this instrument.

It is further agreed that any return of merchandise purchased by the buyer to seller and acceptance of same by the seller doesn't terminate this contract and the seller may after due notice declare the entire balance due, payable on demand.

In case reference given herein on behalf of the buyer shall be deemed insufficient by the seller, said seller may, at its option, declare this contract void by refunding the deposit.

If the merchandise herein is not called for within 15 days from the date hereof, any deposit thereon by the buyer may at the seller's option be forfeited.

In consideration of the foregoing, I (or we) hereby sell, grant, bargain, transfer and set over unto the said seller, BEN BRIDGE, all wages, salary, claims of wages or salary, commission, credits and demands of every nature or description now due or to become due me (or us) from June Allen for the months of Dec, 1936, not to exceed \$200; and I (or we) hereby authorize, empower and direct the said June Allen to pay to said seller or their assigns all money due me (or us) at the time they are presented with this legal assignment or a copy thereof, I (or we) hereby authorize the holder of this instrument, at any time, to fill in the name of any person, firm or corporation as an agent of any money, wages or salary due me (or us).

I (or we) further agree to pay reasonable amount of attorney's fees and collection expense if this contract is placed in the hands of an attorney for collection or to pay to enforce this contract or for any purpose in pursuance of this contract.

In consideration of the above sale and delivery of merchandise, I (or we) hereby expressly waive the statute of limitations for a period of twenty-five years.

Dated at Seattle, Wash., this 24 day of Dec, 1936.

Conditional Sales Contract
 Full Name June Allen Age 24 Address 511 Maynard St
 Wife's Full Name Walter Peterson Address Traffic Plaza Dept Prev. Address H. Ma. 3531
 Reference Walter Peterson Address Traffic Plaza Dept Bus. El 0469
 Reference Walter Peterson Address Traffic Plaza Dept Bus. El 0469
 Employed by Walter Peterson Salary El 0469 Occupation El 0469
 Address El 0469 Phone El 0469
 How Long El 0469 Prev. Emp. El 0469
 Father or Mother El 0469 Address El 0469
 Brother El 0469 Address El 0469
 Sister El 0469 Address El 0469
 Credit with El 0469 Address El 0469
 Credit with El 0469 Address El 0469
 Nationality El 0469 Pay Day El 0469
 Height El 0469 Weight El 0469 Color Hair El 0469 Recommended by El 0469 Delivered El 0469

D. F. HOSTETTER,

being called as a witness on behalf of the plaintiff,
being first duly sworn, testified:

Direct Examination

By Mr. Pelligrini:

My name is D. F. Hostetter. I reside at 915 East Harrison Street, Seattle, Washington. I am special agent for the F. B. I. I have been employed approximately five years. I have been attached to the Seattle office at intervals during the past two years. I am acquainted with Vernon Paul Green. I met him in September, 1938. I identify Mr. Green as the individual in the brown suit behind the individual with the red sweater. I met Mr. Green on the afternoon of September 2, 1938. Chief Deputy United States Marshal, Anthony Mandery, special agent, Duane L. Trainor, and special agent W. F. Rich and I were riding on Jackson Avenue in Seattle, Washington, and observed a green 1936 Lincoln Zephyr, with license A-96-000, which we knew belonged to Vernon Paul Green, parked alongside the curb, by a pool hall. Deputy United States Marshal Mandery and myself went in and W. F. Rich remained in the automobile. We entered the pool hall at 666 Jackson Street, Seattle, Washington, and we observed Vernon Paul Green shooting pool. We stood there without identifying ourselves and without entering into any conversation with him until he finished the pool game. Then he walked over to the rack and put on his hat and walked over

(Testimony of D. F. Hostetter.)

and asked us if we wanted to see him. We said yes. We walked out in front of the pool room and at that time Chief Deputy United States Marshal Mandery informed him he had a warrant for his arrest. He said he expected to be arrested. Then Edwin L. Trainor and Rich left with Vernon Paul Green.

I know Gene Green. Immediately after this arrest Chief Deputy United States Marshal, Mandery, and myself proceeded to [51] 919 Washington Street. I approached the rear entrance of a two-story dwelling on the street and he approached the front entrance, and after knocking he was admitted at the front entrance by Gene Green. Immediately after that Chief Deputy United States Marshal Mandery came through the house and let me in the rear entrance and we identified ourselves and informed her that Marshal Mandery had a warrant for her arrest and that we expected two special agents to return shortly, and that we would remain there until they came. We had no conversation with her pertaining to the case.

I made an examination of the house. The house is a two-story frame dwelling, on the south side of the street, and as you enter there is a large reception room and the front room or sitting room on the left, which would be on the northeast side of the house. In the rear of that, a dining room, and directly in the rear of that a kitchen. As you enter the front door, there is a stairway and beneath the stairway there is a small dressing room, and in the rear of

(Testimony of D. F. Hostetter.)

the dressing room there is a bath room. In the rear of the bath, connected with the kitchen, there is a pantry, and upstairs there are five bedrooms. The bedroom upstairs in the northeast corner of the building is very well furnished. The room in the rear of that was well furnished but not nearly as well as the Northeast bedroom. The other three bedrooms contained a bed, bureau, or wash stand, and some article of furniture, and one chair. Beside each bed there was a mirror, approximately three feet high, standing over where the top of the bed ended, about three feet high and approximately six feet long. In the East room in addition to the furnishings there was wearing apparel. Apparently this bedroom was occupied. Gene Green stated that the Northeast bedroom on the second floor was occupied by Vernon Paul Green. I identify Gene Green as the woman in the black and white dress, sitting beside Vernon Paul Green. In that room at the bottom of [52] the bed there was a chest. There was a large bureau which was partly filled with clothes. The two front bedrooms contained articles of wearing apparel. There were no articles of wearing apparel in the three remaining bedrooms. The bedroom in the Southeast corner had a closet which was unlocked at my request and contained between twelve and twenty suits of men's clothing. I examined the pantry. On the South side of the pantry there was a shelf and on this shelf was a book

(Testimony of D. F. Hostetter.)

approximately 12 inches by 14 inches long, approximately seven or eight inches wide.

(Plaintiff's Exhibit No. 8 identified.)

I found it on the shelf at 919 Washington Street, Seattle, Washington.

(Exhibit 9 identified.)

On a shelf there was a board approximately two feet long and one and one-half feet wide. Under this board, or beneath this board, are three slots cut through the top of the shelf, about $1\frac{1}{2}$ inches long and a quarter inch wide, being about six inches apart. Beneath these slots and attached to the shelf there was a drawer, and this drawer was locked. Gene Green unlocked the door at my request. At the rear of the drawer are four compartments under each slot and in the rear compartment I found exhibit 9.

(Exhibits 8 and 9 rejected by the court.)

Exhibit 6 identified as an envelope and two page hand-written letter. I found it in a drawer in a small table in the kitchen.

Exhibit 7 identified as a one page letter written on both sides. I found it also in the drawer in the small table. I did not ask Gene Green any questions concerning these exhibits.

Exhibit 10 is a letter post-marked Seattle, Washington, August 12, 1936, addressed to June Allen, 919 Washington Street. I found it in the basement. I did not question the dates with reference to exhibit 10.

(Testimony of D. F. Hostetter.)

(Exhibit 10 offered and rejected.)

I found exhibit 11 in the basement at 919 Washington Street.

In the F. B. I. field office at Seattle I had a conversation with both Gene Green and Vernon Paul Green on the evening of September 2, 1938. Special agent Duane L. Trainer was present. W. S. Rich was present part of the time when I questioned Vernon Paul Green. I questioned them separately. I asked Vernon Paul Green if he knew June Allen. He said he did. He stated that she lived at 919 Washington Street, at his home, during a part of 1936 and 1937. He stated he did not know how she got there; that he understood she came in a taxicab. He denied he brought her from Portland, Oregon, to Seattle. He denied that 919 Washington Street was a house of prostitution and stated that any dealings that June Allen had there were with Gene Green. He stated Leon Wells was arrested in California in connection with June Allen and he went to two or three men, who had associated with June Allen in Seattle during the time that she resided at his residence, and told them he was willing to contribute One Hundred Fifty Dollars if they would contribute a similar amount, and the purpose of that would be to take it down to June Allen and get her out of the country. He said these men refused, and he told them then, that if he was ever arrested in connection with June Allen he would tell everything he knew about it and get them all

(Testimony of D. F. Hostetter.)

in a muddle. He stated he didn't intend to tell who they were or anything about them but was trying to force them to contribute the amount he stated he would contribute. He stated that he had intended in the near future to buy a farm near Seattle, move out there and raise chickens and pigeons. He stated he knew he was being investigated by the government; that as he walked out of the house one day a well-dressed [54] man, whom he thought was a government agent or a detective, attempted to hear what he and his wife were talking about; that later he talked with the man and he just wanted to know an address. I permitted Vernon Paul Green to see Gene Green. I asked Gene Green if she had taken June Allen to Portland during the year 1937. She said she did. I called Gene Green's attention to the photograph of June Allen in the album, which was found in Vernon Paul Green's house. I asked her if she knew who that girl was. She had previously stated she did not know but this time she said she didn't know her as June Allen but that June Woods was the girl in the photograph. She said that she had taken her to Portland and had dinner with her mother; that she had previously failed to tell the truth that she was there; that she came to their house in 1936 in a taxicab, rented a room, but didn't know whether she practiced prostitution, but that in May, 1937, she wanted to go to Portland and she took her to Portland and had dinner with her mother and then took her back again; that Vernon

(Testimony of D. F. Hostetter.)

Paul Green was away at the time. She got a colored man by the name of Shorty West to drive the car. It was on Decoration Day, 1937.

I have known Sonny Lee (Robert DeShay Lee) since September 7, 1938. I met him with special agent W. F. Rich. I observed a 1936 LaSalle sedan with 1938 Washington license, Number 98510, parked across the street in front of the Atlas Hotel, in Seattle, Washington. I knew the automobile belonged to Sonny Lee, alias Robert Andrews. We entered the Atlas Hotel and knocked on the door of room 305, and someone said: "Who is it?" I said "Yes" and hesitated, and then he opened the door. He had on pajamas. We went in, identified ourselves, and told him the United States Marshal in Seattle had a warrant for his arrest. We told him we intended to search his room and he said it was perfectly all right, so W. S. Rich guarded Robert Lee and I searched the room and at [55] that time the clock was found in the room of Sonny Lee, exhibit 1. He said the automobile parked in front of the Atlas Hotel was his. He said he was registered under the name of Robert Andrews, and that was the name under which he bought the automobile. He said that the clock came up from California. We took him to the Seattle field office of the F. B. I. There he stated he came to Seattle in 1934 from Portland; that he had resided at room 305 at the Atlas Hotel since arriving in Seattle; that he became acquainted with James Barker in San Fran-

(Testimony of D. F. Hostetter.)

cisco, California, about six years prior to that time; that he was not sure whether Barker came to Seattle before or after he did. He stated he knew Vernon Paul Green and Gene Green and stated that he was acquainted with June Allen; that he met June Allen at the Green house and that she was practicing prostitution there and that the only association he had with her was when he went there and had sexual intercourse with her and paid her money. He stated he had sexual intercourse with her there at Vernon Paul Green's house and that he paid her money. He stated he didn't know who the individual was that sent him a clock but that Vernon Paul Green brought him the clock as a Christmas present 1937. He said he was not a good friend of Vernon Paul Green; that they don't speak; that they quit speaking during the summer of 1937; that they had had an argument. I asked him if it wasn't unusual that they should stop speaking in the summer of 1937 and that Green should give him a clock for Christmas in 1937. He said that it was given in 1937 but for the Christmas of 1936; that he was lead to believe that it was given by Vernon Paul Green and Mrs. Green.

When I arrested Mrs. Green, there was a woman approximately thirty years old, dressed in a nightgown or sleeping gown. She said her name was Marjorie Shannon; that she had been practicing prostitution there four years. [56]

(Testimony of D. F. Hostetter.)

Cross Examination

By Mr. Heiman:

I never talked with James Barker.

Cross Examination

By Mr. Crandell:

Mr. Green stated he had worked on a steamship line and had made a couple of trips in 1937. I was present at all of the conversation when Mr. Lee was arrested.

W. S. RICH,

being called as a witness on behalf of the plaintiff, being first duly sworn, testified:

Direct Examination

By Mr. Pellegrini:

I reside in Seattle, Washington. I am a special agent for the F. B. I. I have been so employed over nine years. I have been attached to the Seattle office about three years. Am acquainted with Vernon Paul Green. I met him on the afternoon of September 2, 1938, in company with agents Hostetter and Trainer and United States Marshal, Anthony Mandery. We saw Vernon Paul Green's car on Jackson Street parked in front of the pool hall. Hostetter, Mandery and myself got out of the car and went into the pool room, which was in about the six hundred block on Jackson Street. Vernon Paul Green

(Testimony of W. S. Rich.)

was playing pool. After a few minutes he put up his cue and put on his coat, and asked us if we were looking for him. Deputy United States Marshal Mandery told him we had a warrant for his arrest. We took him to the Seattle office of the F. B. I.

I met Gene Green on the afternoon of September 2nd, 1938. In company with Mr. Trainer I went to 919 Washington Street with Deputy United States Marshal Mandery and special agent Hostetter. We met Gene Green and a girl whose name was Marjorie Shannon. Officer Hostetter inspected the house while I watched Marjorie Shannon. A photograph album was found in my presence in Mrs. Green's house and a photograph of Marjorie Shannon was identified by Mrs. Green. Later on I talked to Mr. Green at the office of [57] the F. B. I. I was alone with him for a considerable portion of the time. Agent Hostetter and agent Trainer and Mrs. Green were present part of the time. Mr. Green denied he had anything to do with transporting June Allen from Seattle to Portland or from Portland to Seattle. Agent Hostetter said his wife admitted she had taken June Allen to Portland. Mr. Green asked his wife what the condition was about her taking June Allen down to Portland, and Mrs. Green said "Yes, I took her down to see her folks". On another occasion he made the statement that at the time Leon Wells was picked up in California he saw some other men and offered to put up One Hundred Fifty Dollars (\$150.00) if they would make a like contribution, to give to June Allen to get her out

(Testimony of W. S. Rich.)

of town. He said they refused, and he told them if he got into trouble he would put them all in a muddle.

I am acquainted with Robert DeShay Lee. On the morning of September 7, 1938, I accompanied agent Hostetter to the Atlas Hotel, where we met Mr. Lee in room 305. We knocked and Mr. Lee admitted us. Mr. Hostetter informed him there was a warrant for his arrest and that we would take him to the F. B. I. office for investigation. Mr. Hostetter said "We are going to make a search of your room" and he said it was all right. I stood guard over Lee while Hostetter made the search. I noticed there was a Ronson lighter at the foot of the bed. Mr. Hostetter questioned him about that. Exhibit No. 1 was found there. After the search Mr. Lee was taken to the F. B. I. office and there further interrogated by agent Hostetter. I was there during most of it. Agent Hostetter asked if he had transported June Allen down to Portland from Seattle and from Portland to Seattle. He denied any such transaction. He stated he was acquainted with June Allen; that he had met her at 919 Washington Street, Seattle, Washington. Agent Hostetter asked him where he had gotten the Ronson Lighter. [58] He said it was sent up from California. Agent Hostetter asked him if it wasn't a fact June Allen had given it to him and he said no, that Mr. Green had given it to him on Christmas. I asked him which Christmas and he said last Christmas. I asked him if they were on good terms and he said no, that

(Testimony of W. S. Rich.)

they had a falling out on their last trip to the orient. Agent Hostetter then asked him if that trip had not been made in 1937, and if it wasn't odd he should give him the lighter last Christmas after they had the falling out, and he said yes, he had received the lighter from Mr. Green the Christmas of 1936. He stated that if June Allen had given it to him, he knew nothing about it, because that was a Christmas present from Mr. Green and his wife.

Cross Examination

By Mr. Heiman:

I don't know James Barker. I never had any conversation with him. Don't know anything he had to do with the case.

Cross Examination

By Mr. Crandell:

Mr. Hostetter was present when Lee stated that he met June Allen at 919 Washington Street, Seattle.

DUANE L. TRAINER,

being called as a witness on behalf of the plaintiff,
being first duly sworn, testified:

Direct Examination

By Mr. Pelligrini:

My name is Duane L. Trainer. I reside in Seattle. My occupation is special agent for the F. B. I. I

(Testimony of Duane L. Trainer)

have been employed about a year and a half. I am attached to the Seattle office. I know Vernon Paul Green. I met him on the afternoon of September 2, 1938, in Seattle. Special agent Hostetter, special agent W. S. Rich, Anthony Mandery, Deputy United States Marshal, and I went out to locate Vernon Paul Green. We were driving down Jackson Street. Agent Hostetter identified Green's car, which was parked in front [59] of a pool hall on Jackson Street. I approached the car in a position where I could see the front door of the pool hall and also be in a position to keep the car from being driven away from the curb. While Mr. Mandery remained in the car, Agent Rich and Hostetter went into the pool hall where they remained a short while, and then they came out shortly afterwards, bringing out Mr. Green with them, and they all got into the automobile. We took Mr. Green to the F. B. I. office. We left him in the custody of a couple of agents in the office and went immediately to 919 Washington Street, that is, Agent Rich and myself. We entered the house and found a girl by the name of Gene Green and a girl by the name of Marjorie Shannon, Deputy Mandery, and special agent Hostetter. Special agent Rich stayed in the front room of the house with Marjorie Shannon, while Mandery, Hostetter and myself made a search of the house in the company of Gene Green. We found a number of articles. Exhibits marked, for identification, Nos. 10, 11, 9, 6, 7 and 8, were found there. I was present.

(Testimony of Duane L. Trainer)

I had a conversation with Gene Green about exhibit 2.

(The court limits the conversation to be received as against defendant Gene Green only and to be disregarded as against all of the defendants.)

The picture on the first sheet on the lefthand side was a picture of their Scotty dogs; she had two of them. The middle picture is herself. The third picture is Vernon Paul Green. The first picture on the second sheet is a photograph of their back yard; the same of the other picture on the page. On sheet five, the first picture, reading from left to right, is a girl by the name of Betty, who lived in the house two or three years ago. She later identified it as being Laura Schrock, her school chum.

By Mr. Crandell: I meant I wrote any names mentioned on the back. [60]

By Mr. Pelligrini: I did it at the time I was questioning Mrs. Green. She was present. The second photograph on sheet five she stated was a photograph of Marjorie Shannon, the girl who at that time was in the Seattle Field Division office, and had been out at 919 Washington Street at the time I arrived there.

By Mr. Crandell: I made no memoranda on the back of Marjorie Shannon's picture.

(Answer continuing.) On sheet six are photographs that Gene Green identified as being photographs of herself and one of Vernon Paul Green.

(Testimony of Duane L. Trainer)

The same was true of sheet seven. Sheet nine, Gene Green identified as being both pictures of relatives of Vernon Paul Green. Sheet ten was the same and on sheet eleven, she identified the girl appearing in this photograph as being Helen Warren, and the man, a Filipino, whose name she didn't know. She said she didn't know if Helen Warren was a prostitute. Said she had rented her rooms at her place over a period of three or four years at various times.

By Mr. Crandell: I made no memoranda on these photographs. I have never seen photographs of the Warren woman before.

(Answer continuing.) On sheet twelve, she identified the first picture on the page as being a car owned by Vernon Paul Green at one time, and the last picture on the page as being a picture of Vernon Paul Green and his mother. On sheet thirteen she advised the first photograph was a picture of herself in a bathing suit, and the second photograph a photograph of Majorie Shannon, and the third photograph a picture of Vernon Paul Green and part of their Ford automobile. I made no memoranda on the back of the photograph I have referred to as Marjorie Shannon. She was in the field office at the time I was questioning Mrs. Green and I recognized the photograph as being of her. Sheet fourteen, she identified as being a photograph of her Scotty dogs. On sheet fifteen, she identified the [61] three photographs there as being photographs of their Lincoln

(Testimony of Duane L. Trainer)

automobile. On sheet twenty, the first photograph is of a girl sitting down, who Mrs. Green identified as being a girl named Marie, who had rented a room at her house in 1933. The last photograph on that page is the photograph of the same girl. The name she didn't recall. Said she was not a prostitute, had just rented a room at her house, and at the time the photograph was taken she was pregnant. She identified the picture as being June Allen. On sheet twenty-one the first photograph was a picture of Vernon Paul Green and his mother. The second photograph was of his mother; the third, of the back yard. On sheet twenty-two she advised the first photograph was of Vernon Paul Green and his mother. The last photograph on the page was the tallest identified as a girl named Sally, a girl who rented a room at her place. She didn't state the date but for a period of a year or two. She didn't know the identity of the other girl. I made a memoranda on the back. Sheet twenty-three is a picture of the same two girls in bathing suits. The other two photographs are of Gene Green. Sheet twenty-four, the first picture is Marjorie Shannon; the middle photograph a girl named Marie who had rented a room from her on several occasions. She didn't know whether or not she was a prostitute. The last photograph, full-size, is a photograph of Vernon Green's family and relatives. The loose photograph on the same page is the blond girl, Sally. She didn't know the man. On sheet twenty-

(Testimony of Duane L. Trainer)

six, she didn't know the name of the girl but the same one as on sheet twenty. Special agent Hostetter questioned her about this photograph. She stated it was June Allen in my presence. On page twenty-seven she identified this as the same girl and admitted it was June Allen. The same is true of the picture on sheet twenty-eight. The girl stooping over, holding the dog, is identified as Maxine Sullivan, who lived behind the Green residence; that she was not a prostitute. [62] The other is of a girl named Betty, who rented a room there. She didn't know whether she was a prostitute or not. She stated she had been born in Yakima and married a street car conductor; divorced him in 1923; that she began to practice prostitution in 1924. In 1925 she married Vernon Paul Green in Tiajuana, Mexico. They resided in California until 1929, when they moved to Seattle. She operated a tea room in California. When she came to Seattle she began operating a rooming house at 919 Washington Street. In September, 1933, or 1934, she moved to 919 Washington Street. She stated she was not running a house of prostitution—merely a rooming house. She rented rooms to the girls and they paid her so much a week. She supplied them whatever they wanted and if they wanted a mirror alongside the bed she put them in the room. She said the girls wanted them.

I was present when agent Hostetter had a conversation with her September 2, 1938, in the Field

(Testimony of Duane L. Trainer)

Division office. She admitted she knew June Allen; that June Allen's picture appeared in the photograph book. She advised that June Allen had told her she would like to go to Portland to decorate the grave of her son and see her mother. She stated she hired a colored man by the name of Shorty West to drive herself and June Allen to Portland; that she met June's mother at the time and had dinner at her house. She returned to Seattle the same day. Vernon was away at the time.

Cross Examination

By Mr. Heiman:

I do not know James Barker. I never had a conversation with him.

Cross Examination

By Mr. Crandell:

I had a conversation with Mrs. Green at 5:30 or 6:00 o'clock in the evening. When I had most of my conversation I was the only one present. I finished the conversation about 8:30 in the evening. [63]

Plaintiff Rests

Motion for a directed verdict made by Mr. Heiman for and on behalf of defendant Barker. Motion denied. Exception allowed.

Motion for a directed verdict made by Mr. Tucker on behalf of Ben Purvis. Motion denied.

Whereupon Mr. Crandell made the following motion:

“If the Court please, with reference to the defendant Lee, counsel challenges the sufficiency of the evidence shown, and requests the Court to instruct the Jury to return a verdict of not guilty; likewise, in the case of United States vs. Vernon Paul Green and Genevieve Green, counsel challenges the sufficiency of the evidence, and requests the court to instruct the Jury to return a verdict of not guilty with reference to both defendants.”

(Argument)

Motion denied as to defendant Robert DeShay Lee and also motion denied as to defendants Vernon Paul Green and Genevieve Green.

Mr. Crandell: Exception.

The Court: Exception allowed in each instance.

Opening statement on behalf of the defendants Robert DeShay Lee, Vernon Paul Green and Genevieve Green made by Mr. Crandell.

No opening statement made by Mr. Behrman on behalf of the defendant Sherman Johnson.

ROY L. DAVIS,

being called as a witness on behalf of the defendants, being first duly sworn, testified:

Direct Examination

By Mr. Crandell:

My name is Roy L. Davis. I am a police officer in the detective division. I have been with the Police Department since March 23, 1913, in Seattle, Washington. I am a detective lieutenant, assigned to the detective department. My assignment is the Morals [64]

Relations Detail.

(June Allen is brought into the court room for the witness to identify.)

I do identify her. I had an occasion to investigate her. It was a phone call that came to my home January 13, 1937. At that time I was investigating a case that had been reported to my office. It was not represented to me that they were officers of the Federal Government. I did not come in contact with the Federal officers with reference to June Allen direct. I had a telephone call that June Allen was at 919 Washington Street and had been brought here from Portland. The investigation was on my own initiative. I went to 919 Washington Street and there I found June Allen. I took her to headquarters and put her upstairs.

Q. Did you get a statement from her?

“Mr. Pelligrini: I object to that, Your Honor. If this is for impeachment, it is im-

(Testimony of Roy L. Davis.)

proper impeachment, because the basis is not laid with reference to June Allen's testimony.

(Argument)

The Court: Objection sustained.

Mr. Crandell: May we recall June Allen for one question?

The Court: You may."

JUNE ALLEN,

a witness heretofore called and sworn, testified further as follows:

"By Mr. Crandell: Are you acquainted with Roy L. Davis, a city Police Officer?

A. I have met him.

Q. State whether or not in January, 1937, you made a statement to him while you were under arrest and under his custody, that you didn't ride up to Seattle from Portland with Mr. Green, but that you came up on the bus and paid two dollars and some cents for fare; did you make that statement to Mr. Davis? [65]

A. Yes, I did.

Q. And you made a statement?

A. Yes, I did.

By Mr. Pelligrini: Q. Where did you first meet Mr. Davis?

A. I first met Mr. Davis at 919 Washington Street, Seattle, Washington, at the home of

(Testimony of June Allen.)

Gene Green and Vernon Paul Green. He came into the house and started asking me about a ring and I didn't know what he meant. He said this ring that was bringing different girls into the city, and I said that I didn't know what he was talking about. I called Mrs. Green and said I was going to the Police Station with him and she had told me, under all circumstances, to say they had never brought me up and that I had come up on the bus. I told her I was under arrest and she told me to stick to my story. I stuck to my story."

ROY L. DAVIS

resumes the stand.

Cross Examination

By Mr. Pelligrini:

I arrested June Allen at 919 Washington Street. I arrested her on information I had received that she was brought here from Portland. I didn't charge her with any crime. I released her on the fifteenth, after I had made my investigation.

Redirect Examination

By Mr. Crandell:

From the time of the arrest until I talked to her about coming from Portland she had no time to talk to Mrs. Green other than for getting her wraps. I

(Testimony of Roy L. Davis.)

was there in the hall. Mrs. Green didn't tell her in my presence that the Greens didn't bring her here. I don't recall if I made a report of that to the Federal Officers, there being no evidence for prosecution. I was in the hall when she got her wraps. Mrs. Green was in the bedroom, immediately behind the
[66]
dressing room.

JAMES BARKER,

being called as a witness on behalf of the defendants, being first duly sworn, testified:

Direct Examination

By Mr. Heiman:

My name is James Barker. I have no aliases. I have given my true name. I am a waiter and chauffeur. I was born in Michigan thirty-six years ago. I went to California and lived there about fourteen years. I am single. I was married; my wife passed away in 1928. I have one child, a girl, now in Detroit with my mother-in-law. The girl is thirteen. I am helping to support her.

I waited tables and had a place of business in San Francisco at 679 Geary Street, a shoe-shining parlor. I had eight chairs. I did very good there. I had four men and five on Saturdays and Sundays. I had a contract with a shoe repairing shop to do the repair work. I owned it a little over a year. I sold my interest for \$1900 in 1936, a few months before I came to Seattle. I saved my money. The

(Testimony of James Barker.)

place was on one of the main streets in San Francisco, in the center of the apartment houses and hotels.

I came to Seattle sometime between the fifth and sixth of July. I was following the races and looking to see if I could get a place of business in Seattle. I didn't talk to Mrs. Green before I came to Seattle. I met her in San Francisco. She was visiting a sick woman in the same building where I lived. I was introduced to her in 1929. I don't remember the exact date I came to Seattle. It was between the sixth and fifteenth of July. I was not here for the Fourth. I met Mrs. Green three or four days after I came to Seattle. I was driving through Washington Street and I saw her out in the yard. She was watering the lawn. I drove to the corner, turned and came back, as I recognized her. I was driving [67] a Buick. It was not fully paid for. I stopped to see her; I got out of the car. She recognized me and invited me in. We went in the kitchen and had a drink of beer. While I was sitting there, June Allen came through the kitchen with a broom, and Mrs. Green said "Just a minute, I want you to meet a friend of mine from California". She introduced me. The girl went about her business. I did not know that the Green house was a house of prostitution. I found out later on after I was in Seattle. Six or seven days after that I met June Allen at a night club. I saw her the next morning. I never went to the Green's place as a customer. I never had any immoral relations with June Allen or anyone

(Testimony of James Barker.)

else there. When I met June Allen at the night club five or six days later, I walked over to the bar and asked her if she would have a drink; she said yes and asked me what time do I get up. At the time I was living at the Atlas Hotel. I said "Why do you want to know what time I get up?" and she said "I want you to come by the house, I want to go see my baby; and I want you to take me to the bus station, she is in Portland. I have a letter from my mother saying the baby is sick." She showed me the letter. At the bottom of the letter I saw a picture of a little baby's hand where it had been drawn on the letter. I told her I would take her to the bus station and I arranged to do it. I saw her again the next morning. I went to pick her up. I honked the horn and she came out. I drove to the bus station but the bus had gone. She asked me if I would try to catch the bus. I told her I would and started out after it. I didn't succeed in catching the bus between Seattle and Tacoma. When we got into Tacoma the bus had left five or ten minutes. I tried to catch the bus from Tacoma and we got picked up for speeding. The testimony of the officers is correct. I posted bail but didn't pay a fine. After I was detained at the station, June said she couldn't catch a bus for two or three hours. She asked me [68] if I would drive her over to see her people. I hesitated a few minutes and I said I didn't mind because I had never seen the scenery down there, and so we started out. She said "You

(Testimony of James Barker.)

can drive me to Vancouver and wait for me there” and so I did.

It was 5:30 or 6:00 when we got to Vancouver. I drove out to the airport and looked around for about an hour and a half. She got out at Vancouver. She asked me to wait for her. I did. She came back in about an hour and a half. When she said she returned to Seattle in an hour or an hour and a half that is correct. She did not inform me she was going there for immoral purposes. She told me she was going to see her baby. Her statement that there was nothing immoral or wrong was correct. I don't remember of her bringing clothes in the car. She said she saw the baby. The purpose of the trip was to see the baby she said was sick. We were there about an hour and a half. She came back in Vancouver, where she got off the car. I did not go over to Portland. I didn't give her any money to take the bus over to Portland. She had money. She didn't pay for gas or oil. I had money at that time, \$500.00, proceeds of the sale of my shoe shining parlor and winnings on races in Seattle. I returned to Seattle with her. We got back to Seattle at 1:30. She jumped out of the car and went into the house. I saw her again five or six days later at a night club and nothing took place. I never lived with her one night in my life at the Marr Hotel. I went down to the Marr Hotel during recess. I have been to the place before, in October or November of 1936. I inquired of the girl whether anybody could identify me having been there. The clerk

(Testimony of James Barker.)

didn't know me. I didn't live with her at the Holland Hotel; don't know where it is. When I was in Seattle I lived at the Yesler Apartments and the Atlas Hotel. I maintained a room there all the time. I never saw her after the time I saw her in the night club after we returned from Vancouver. She never gave me money in [69] her life. I never gave her money more than a drink. She never gave me any gifts; I don't know her that well. I left Seattle sometime in 1937. I was trying to locate a business here. I started negotiations with reference to the purchase of a tavern on the highway—a road house. I worked on that for some time and then the deal fell through. Then I returned to California in 1937. Down there I waited table and tended bar at Topsy's, on the beach, a chicken dinner shack in San Francisco. I heard the officer testify about his interview. He made one mistake; I believe it was with reference to my knowledge of the Green house. I didn't tell him I knew it was a house of prostitution. I told him I learned it later. Other than that the officer's statement is correct. I had no quarrel or disagreement with him. He informed me of my constitutional rights. He testified substantially the truth.

Cross Examination

By Mr. Pelligrini:

I don't know whether anything she testified to, with the exception of the fact that I lived with her and that I received money from her, is true. I don't remember everything she said. I testified that I met

(Testimony of James Barker.)

her in July, 1936, at Green's house in Seattle; that she lived there, and that I was introduced to her by Mrs. Greene; that I met her at a night club. It was at the Green house I met her first, then at the night club. Her statement that I took her to Vancouver and she got out of the car was correct. I took her to Vancouver, Washington. I don't know where she went when she got out of the car. She didn't tell me she went to Portland. I didn't go into Portland. I came back to Seattle, took her to 919 Washington Street. I didn't know at that time that it was a house of prostitution. I disagree with her when she said she gave me money. I never lived with her and she never gave me money. I do not know Sally Winslow. I came up from California in July, 1936. A boy by the name of Mose came with me. Sally was not with him. I have been convicted of a crime. [70] I don't remember when it was. It was in San Francisco. I was sentenced to six months. I didn't come from Portland with her. I didn't enter into an agreement with reference to her working in a house of prostitution.

VERNON PAUL GREEN,

being called as a witness on behalf of the defendants,
being first duly sworn, testified:

Direct Examination

By Mr. Crandell:

My name is Vernon Paul Green. I was born in Huston, Texas. I lived in Los Angeles prior to coming up here. Have lived here since March 30, 1913. I am a jewelry salesman and have been off and on for four or five years after I came to Seattle. The last year and a half have been on the high seas and worked on the President Jefferson immediately after the strike. I sailed March 27, 1937. It took twenty-seven days to make the round trip and I laid in ten days. I made two trips.

I recall going to Portland the summer of 1936. I had no conference or conversation between myself and anyone else with reference to the contemplated trip. My wife and I had a little argument and I just left. Nobody knew that I was going. I didn't know myself until that morning. I had never contemplated or talked to no one whatsoever about making that trip in the future. That morning my wife and I had an argument pertaining to my drinking. I got sore about it and the next morning I was still sore. I drank, got in my car and started to drive down to Centralia to see some friends of mine. When I started I did not contemplate going to Portland. When I got to Centralia I contemplated going to Portland on the spur of the moment. Instead of

(Testimony of Vernon Paul Green.)

turning to the left at Centralia I turned to the right to go to Portland. Prior to that I had not discussed or communicated with Mr. Purvis in any way about the trip. I didn't see him at all. I didn't know that he was going to make it. I had not [71] seen Mr. Purvis for one or two weeks. I don't know his address in Portland. After I left Hazel Sherwood's house I saw Mr. Purvis. I knew him. I had lived in Portland in 1924. I didn't have a plan to bring anybody back. I was there three or four hours before I saw Mr. Purvis. We rode around town. I had seen June Allen once or twice before going to Portland. The first time I saw her was at the Tokio Cafe in Seattle. I was introduced to her by Ernest Strauder of Portland. June Allen's statement with reference to that is not altogether true. I had no previous plans to meet June Allen at that time. I saw June Allen the next time at Hazel Sherwood's house and I hadn't seen her at no other time until the Portland trip. I had a conversation with her at Hazel Sherwood's house. She was glad to see me, evidently. We had a cup of coffee and two or three drinks of whiskey—Cream of Kentucky. I said I was going to leave. She called me into a room and said "Mr. Green, how is chances of riding back to Seattle with you?" I said that I had a five passenger automobile, but didn't want to take her because she was a woman. She said "I am willing to pay for the gas to go back". I said I wouldn't take on any more gas because I had enough and that I was going

(Testimony of Vernon Paul Green.)

to go back by myself. She said "I just want to show you I don't want to sponge on you." I said I was going down to Johnny's house and she said "is that place on Larabee Street" and I said "yes". She said "What time are you going to be there?" I said "1:30 or 2:00—sometime around that time." "I am at Hazel Sherwood's house," she said. She said "I will be there and if you make up your mind to take me I will go with you." I said "You are not married, are you?" and she said "No, I am not married." I don't know anything about the girl. I did not suggest or request her to come to Seattle with me. I absolutely did not suggest it before she made the request. I saw her again after I went over to town at Miss Harris' house on Broadway and Larabee Streets. I do not recall asking Miss Harris [72] to talk over the telephone. I don't recall calling my wife up from there. I do not recall communicating with her because we had had quite a bit of liquor at Miss Harris' house. I did not communicate with her after I left the Sherwood place and before I got to the Harris place on Larabee and Broadway. I had talked with her (June Allen) at Hazel Sherwood's place. I did not talk with her over the telephone. I did not discuss with Mr. Purvis about her request to ride to Seattle with me. He did not know she had made the request. I was at the Harris house about ten minutes and I walked out to the stairs and asked Miss Harris where the bath room was, and she said "Upstairs to the left", and when

(Testimony of Vernon Paul Green.)

I went upstairs she (June Allen) was up there. I did not see June Allen come to the Harris place. At the Harris place she asked me "Are you still going to take me?" I said "I told you over at the Sherwood house I don't want to take a woman with me". That was about 3:00 o'clock in the afternoon. I stayed there around two hours. Everybody bought drinks. From there we went around this street to Preston's Pool Hall, Purvis and I. June Allen did not leave when I left. I saw June Allen again about 7:30 or 8:00 o'clock at Miss Harris' house. I went back to see if she was ready to go. Up to that time I said nothing to Mr. Purvis about contemplating taking June Allen to Seattle. I asked Mr. Purvis after I left Miss Sherwood's house, when I first saw June Allen around in there, about 1:30 or 2:00 o'clock, about his coming to Seattle with me. I didn't talk to Miss Harris or Mr. Purvis about June Allen coming with me. I left Portland around 7:30 or 8:00 o'clock in the evening, the same day I left Seattle. I drove straight through. Mrs. Green did not know where I had been that day. We reached Seattle at 11:00 or 11:15 o'clock. I let June Allen out in front of the Holland Hotel, but she didn't want to get out. Up until that time I had not discussed anything about prostitution with June Allen. [73]

By Mr. Heiman: I know Mr. Barker when I see him. I never discussed the return of June Allen from Portland. I never had that much conversation with him. I never discussed June Allen with him.

(Testimony of Vernon Paul Green.)

Cross Examination

By Mr. Pelligrini:

I never saw Mr. Barker at 919 Washington Street. I was not there the day my wife introduced him to June Allen. I said I left June Allen in front of the Holland Hotel. I drove directly to the Holland Hotel, located on Fourth Avenue across the street from the County-City Building. 919 Washington Street is in the central part of town in the lower district. I have lived there since 1932 with my wife, Gene Green. It is being operated as a rooming house, around ten rooms. My wife refused to sleep with me and we fixed up two bedrooms and then there are three others fixed like hotel rooms, a dresser, closet, bed, springs and mattress. One bedroom has a chaise lounge, a radio, a vanity, bedroom set and rug. Some of the bedrooms have had the mirrors taken out. The roomers that stay in the house change. Laura Schrock stayed there, Sally Winslow stayed there, Marie Warner stayed there, Marjorie stayed there; I don't exactly recall how long. It was immaterial to me. I was out making money. I didn't try to busy myself around about incidentals like that, because I thought that my wife was capable of collecting the rent from the roomers. I didn't butt into anything around the house, I left that up to her good judgment. I thought she was capable of running it. My mother learned her how to cook and she showed her how to keep house. I was out of there early in the morning and came

(Testimony of Vernon Paul Green.)

back late at night, trying to make money to make both ends meet.

In 1936 I worked for Ben Bridges' until the strike came. When the strike came money was slack and there was no use trying to sell. I went down to a longshoremen place to see about that kind of work. I was sympathetic with the union so I joined up there and got [74] to go to work. I have been working for Ben Bridge. I got fifteen percent. I didn't pay an income tax. My salary was not so great and I didn't keep any account. In October, 1936, I bought a Lincoln automobile. I paid a government tax and sales tax on it. I didn't earn enough in 1936 to pay an income tax.

I saw June Allen at Hazel Sherwood's place in Portland and I saw her at the Tokio Cafe in Seattle. I didn't know if it was the Fourth of July. I saw her some time in July, before the bonus was paid, in the Tokio Cafe, and then at Hazel Sherwood's place in Portland, just a few days after. I don't know that it was around July 8th, 1936. I don't know if Hazel Sherwood's place is a house of prostitution. We had two drinks but I don't know if she had girls there. I only bought one drink. We left Hazel Sherwood's and the next time I saw her (June Allen) was at Johnny Lloyd's house, that is Marie Harris, around 2:30. I came back later and picked her up. I let her ride to Seattle with me. I picked her up around 7:30 or 8:00. When June Allen says she met me at the Tokio Cafe and at Hazel Sher-

(Testimony of Vernon Paul Green.)

wood's place that is correct. Ben Purvis was with me. He did not drive any of the way. I brought her all the way. I did not know she was a prostitute. I found it out about three or four days later. I found out she was a prostitute after that but not necessarily after she came there. She was living at my house, at 919 Washington Street. I brought her to Seattle and she was living there from then on. She lived there until some time in 1937.

GENEVIEVE GREEN,

being called as a witness on behalf of the defendants,
being first duly sworn, testified:

Direct Examination

By Mr. Crandell:

My name is Genevieve Green. I live at 919 Washington Street. I have lived there since the latter part of 1932 or the [75] first of 1933; I am not positive. It was a house of prostitution during 1936 and 1937 and has been for seventeen years. I can't remember when I first met June Allen but it was after the Fourth of July. I first saw her standing in my front hall. The door bell rung and one of the girls had gone to the door and opened the door and then called me and said "There is someone that wants to see you." I had never seen her before in my life. I had not discussed her with Mr. Green. He had not discussed her with me. I didn't know

(Testimony of Genevieve Green.)

that he had been to Portland. I didn't know where he went. I just walked up to her (June Allen) and said "How are you?" and she said "Fine" and then she said "Is this 919 Washington Street" and I said "Yes". One of the little girls were leaving that night so I said "Won't you come back to the kitchen and have a seat?" so we went back to the kitchen and then I asked June questions. I made no inquiry as to how she came because other girls came the same way. She didn't advise me and I didn't know how she came to the house. I talked with her. She told me about her baby and I asked her if she had practiced prostitution before. She said "Yes". I asked her how long and she told me. Then I said "Have you ever had a health card?" and she said "No". She said "No, Mrs. Green, I never have" and I said "I have a vacancy and you can work here provided you go get a health card". She said she would get one. She stayed at my house, I judge, off and on for three weeks. Some nights she slept there and some nights she did not. She had a different boy friend practically every night. At the end of the third week she had a different boy friend and moved to the Marr Hotel.

"Q. Did she meet him immediately after she came to your house, as she related, that you were looking out the window and saw Sonny Lee passing in his automobile and June Allen being present and asked you to call to Sonny Lee and you replying "don't worry, he will be

(Testimony of Genevieve Green.)

back in fifteen minutes", did you say that?

A. I most assuredly did not; why, that is absurd." [76]

We don't cater to colored men in the first place. Sonny Lee did not visit June Allen at my place while she was there. We have personal friends (colored) that come there. I recall Mr. Barker coming there. I met him in California. He did not come there to see June Allen. He came there to see me. I did not introduce June Allen to him as a prostitute. June Allen did not accept him as a patron at that time. He never came to my house as a patron. June Allen's statement in regard to that is absolutely false. I do not mean that June Allen had a different fellow practically every night while she was at my house. She worked the hours she was supposed to work and when she was through someone would be out in front waiting for her. I observed that the men she went out with her both colored and white. June Allen's statement that Sonny Lee came to my house as her patron is not true.

"I recall going to Portland. June Allen's mother wrote her a letter and asked her to come to Portland to see her baby. We left on Decoration Day; that is close to June's birthday. I cannot tell you whether it is before or after. Her mother wrote her a letter asking her to come and inviting me; that was two weeks before Decoration Day; so she asked me to go and I didn't want to go because she

(Testimony of Genevieve Green.)

has got a nice mother and I know what I am and am ashamed of what I have been doing. I didn't want to go to her home and meet her mother, being what I am, but she kept asking me so I said 'all right, I will go with you'. She wrote her mother two letters and told her mother even the food to have for dinner and everything and told her when we would get there. We left early in the morning after we had worked on Saturday night. We drove to Portland and we got there about 12:30 or a quarter after twelve and her mother had not prepared dinner yet so June and I helped prepare dinner and between us we set the table and then we sat down to have dinner and a lady and gentleman came in that must have been friends of Mrs. Woods and said 'we are glad to [77] have seen you', so I presumed they had moved away from there before. They sat down and had dinner with us and after we had dinner we did the dishes and June Allen dressed her baby while Mrs. Woods and I did various things and after the dishes were finished we all got in the car and drove to June Allen's sister's place and we let the lady and gentleman out at June Allen's sister's place and we drove from there down to the center of Portland and stopped in front of a flower shop. June Allen's mother went in there and bought flowers for the grave and then we drove up on a hill on a very narrow road and we drove away up to the top of this place and she and her mother and father got out and put the flowers on

(Testimony of Genevieve Green.)

the grave and took pictures of it and then got in the car and we drove on through Portland out to June mother's place; I cannot tell you the exact time of day it was because it was getting dark. I did not mention to you that June's mother had made a birthday cake; so when we were ready to leave, June's mother cut two pieces of cake for June and myself. Then we drove into a gasoline station and the boy who was driving the car filled the car with gas and oil while June and I went in there and got a sandwich and coffee. Then we got in the car and made the trip back. That is the best of my recollection of the trip."

I employed the driver and paid all of the expenses. My purpose in going to Portland was not for prostitution or for any immoral purpose of any kind. It was for no purpose other than visiting the baby and seeing the mother and decorating the child's grave. Up until the time June Allen left my place I did not know she had ridden to Seattle with my husband. I learned about it and started divorce proceedings against Mr. Green. We were afterwards reconciled. I didn't talk with anyone about my husband *being* June Allen to Seattle for immoral purposes. I had no arrangement, agreement, or understanding with any person regarding the bringing of June Allen to Seattle for immoral purposes. I absolutely did not know she [78] was being brought from Portland for immoral purposes.

(Testimony of Genevieve Green.)

By Mr. Heiman:

I had known Mr. Barker in California. I saw him one day in front of my house and introduced him to June Allen. He never came back. June Allen was in Mr. Barker's presence just long enough to be introduced and then she walked out. June Allen showed me a very beautiful letter from her mother. I don't remember the date, but it was long after she had been at my house. I saw the letter. There was only the one letter. You and I haven't discussed this matter at all.

Cross Examination

By Mr. Pelligrini:

Mr. Purvis did not come to my house. He is a stranger to me. He did not come the night June Allen came. Mr. Green came home every night. I have been operating a house of prostitution since the latter part of 1932 or the first part of 1933. Mr. Green was living there all of the time.

ROBERT DeSHAY LEE

being called as a witness on behalf of the defendants, being first duly sworn, testified:

Direct Examination

By Mr. Crandell:

My name is Robert DeShay Lee. I am forty-two. I was born in Texas. Have lived in the state of

(Testimony of Robert DeShay Lee.)

Washington and the city of Seattle since 1934. I have never been convicted of any crime. My occupation is traveling on boats in the show business, working at night clubs and taverns. I first met June Allen at the Assembly Club, a colored club on Maynard Street, about 3:00 o'clock in the morning. I was standing over by a card table and looked around at the bar and she did that way to me (indicating), winked her eye, and I walked over. I knew what she meant. We had a drink. She asked me what I was doing and I told her I wasn't doing anything at the [79] present time; and she said "Where are you going?" and I said "Nowhere". She said "Would you like to go with me?" and I said "That is according" and she said "You can go with me if you want to act like a big boy". I figured she was under the influence of intoxicating liquor so it didn't mean much to me. She told me where she lived and what she wanted and we went on up to her room. It was money that she wanted for me to go to her room. I most certainly understood she was soliciting me for immoral purposes. She told me the price was Three Dollars. I went with her to the Marr Hotel. I never lived there. I heard her statement that I lived with her at the Marr Hotel for approximately seven months and that is absolutely false. I saw the clerks the night I went there but I didn't know them.

I heard the statement of June Allen of the way she met me; that someone at 919 Washington Street

(Testimony of Robert DeShay Lee.)

called to me; that I called by 919 Washington Street. That is not true. I never visited June Allen at Green's house for the purpose of prostitution. I never visited her there for any purpose. I never was in that house talking to June Allen. I knew nothing about her coming from Portland to Seattle. The first time I saw her was at the Assembly Club on Maynard Street. I did not know if she was born here or raised here, or how she got here, or anything concerning that. I never discussed her coming from Portland to Seattle with anybody. I never made any arrangement or agreement with anyone about bringing her to Seattle. I never knew such a woman stayed there prior to the time I met her at the Assembly Club. I never discussed with her about coming from Portland to Seattle. After that I saw her sometimes once a week, and sometimes twice a week over a period of two or three months off and on until after Christmas. I hadn't taken her anywhere but I met her at several restaurants and dined with her. She rung me up at the hotel where I lived and asked me what I was going to give her for Christmas and she said she was over in the room [80] so I went over and she and I went to the Assembly Club together and she asked me about a Christmas present. That was on the 23rd. She asked me for money and I gave her \$15.00 as a Christmas present. I found out that she gave me a present. I didn't know it was from her. It was given me by Vernon Paul Green.

(Testimony of Robert DeShay Lee.)

(Exhibit 1 identified as the gift.)

That is a part of it. Some of it is missing. It was taken out of my apartment by the officers.

(Missing part identified.)

I heard June Allen's statement that she had given me her earnings while she was living at the Marr Hotel. That is false. I was always giving her money from my earnings. I took no money from her at any time. She never rode outside of the city limits in my automobile. She was in my automobile several times but only going from one booze drinking joint to another and to her room at the Marr Hotel. I heard her testify that I went to Portland with her, taking her to Vancouver, Washington, where she got out of the car. That is false. She never rode out of King County in my automobile with me. I never took her to Vancouver at any time.

I know a lady in Portland by the name of Barno. Her statement that I went to Barno's place and drove her there is false. I never drove her to Barno's place or any other place there. I did not drive her from Barno's place to Seattle. I did not see her at Barno's place.

I don't know how long a time it was after Christmas that I continued to associate with the Greens or June Allen. All of a sudden she went away and I never saw her any more. During all of the time from the month of July or August, 1936, I was living at Room 305, Atlas Hotel, in the city of Seattle.

(Testimony of Robert DeShay Lee.)

By Mr. Heiman:

I know James Barker. I never saw James Barker, Mrs. Green and Miss Allen together. I was not present at any time when [81] Barker spoke of June Allen. I never conspired at any time with Mr. Barker, or anyone else, in reference to Miss Allen and bringing her from Portland to Seattle. I never knew whether Barker knew June Allen or not.

Cross Examination

By Mr. Pelligrini:

I know Ben Purvis when I see him. I know Mrs. Green. I have known her for the last couple of years. I have known Mr. Green about the same time. I don't know Johnny Lloyd or Marie Harris. I never lived in Portland at any time. I only came through Portland. I don't know how much money I earned in 1936. I didn't have a steady job. I worked at odd jobs. I worked at beer taverns and clubs, bootlegging joints, and places like that. I worked at the 416 Club and 413 Maynard in and out through the year bartending. They pay me \$2.00 a night. I gave June Allen money. I have two houses to rent. I still own them. I acquired them in 1936. They are on King Street, occupied by a Jap and a colored family. I had other money than the \$2.00 a night. I made trips to the orient as a waiter on boats in 1937. Was gone forty-seven days. My round trip netted me \$102. Then I went back to the clubs,—the same clubs I mentioned before at \$2.00 a night. I own a LaSalle car. I have had it since 1936, under the name of Robert Ambrose.

(Testimony of Robert DeShay Lee.)

Redirect Examination

By Mr. Crandell:

I had other money, a bonus from the government. I would get from \$10.00 to \$15.00 a night in tips at the night clubs. Some of the waiters work for nothing. I have offered to pay to work in some clubs. My bonus was \$784.00. I got it in 1936, the year before I bought my automobile. With reference to a suggestion about a conspiracy with Vernon Paul Green, Mr. Green and I don't speak. We haven't spoken for about two years. [82]

SHERMAN JOHNSON

being called as a witness on behalf of the defendants, being first duly sworn, testified:

Direct Examination

By Mr. Behrman:

My name is Sherman Johnson. I live in Portland. I go by the name of Ben Purvis. My mother's husband's name was Purvis. He called me Ben Purvis. They raised me. I have been going by that name since I was a little boy. I have known you for a number of years. My friends and associates call me Ben Purvis. I was born in Fort Worth, Texas. I have been in Portland about sixteen years. I am fifty-one years old. I worked for the W. P. A. I have evidences of my work. Exhibits A-2, A-3 and

(Testimony of Sherman Johnson.)

A-4 are W. P. A. cards. I got them up at the W. P. A. place.

(Cards received in evidence; displayed to the jury)

I don't know the difference between a felony and a misdemeanor. Have never been convicted of a felony; have been convicted of a misdemeanor. I was working for a fellow that sold junk and I was driving for the fellow and was arrested for stuff I had in the load. That was when I was fourteen years old. I got ten days in jail. I have never served time since then. Have known Vernon Paul Green since 1927. I never had any business relations with him of any kind. My acquaintance is just in a social way. I knew him in 1927 when he was at my house at 15th and Northrup Street. I have not gone out with him socially. I have had a drink of whiskey with him. I didn't go to any football games with him. I don't remember going to baseball games with him.

I know Mrs. Green. I made her acquaintance in Portland. I saw her two or three times. I saw her when I came to Seattle. I saw her in Portland at 169th Street in a car. I don't know how long ago. It has been quite a while. [83]

I know June Allen. I never saw her in Seattle before I came over on this trip. I saw her in Johnny's house. Johnny is the little dark girl. Her true name is Marie Harris, I think. I didn't know when I went to Marie Harris' place that June Allen would be there. I never had any business with Marie

(Testimony of Sherman Johnson.)

Harris. The first time I saw the Allen girl was over at Marie's. I didn't see her early in the day at Sherwood's place. I don't know the meaning of "conspiracy". I did not conspire with anyone to bring June Allen to Seattle.

I came over here to go to work. I thought I was going to get a job to work in a club. I was laid off my W. P. A. work for two or three weeks. I thought I could get a job running a game in a gambling house. I have done it before. I didn't have any notice the girl was coming to Seattle. It is true that I did not engage in a conversation at the Harris house with June Allen. I don't know why she came to Seattle. I didn't drive the car. I didn't pay for gas or oil. I don't know Mr. Barker.

Exhibit No. 3 is my signature. I gave Mr. King this statement. I gave it to him voluntarily without reservation on my part. I was advised the statement would be used against me. I was willing to give it.

The following is correct (excerpts from written statement, Exhibit No. 3): "That I sometimes go by the name of Purvis. I am fifty-one years old, born in Fort Worth, Texas. Lived in Portland, Oregon, sixteen years; have known Vernon Paul Green about ten years. I was at Johnny's place, that is the black girl, Marie Harris; that Vernon was there and a white girl named June Allen, and I don't know why she came, and that I did not hear all the conversation."

I didn't hear any of the conversation with reference to the purpose of June Allen's coming. I knew

(Testimony of Sherman Johnson.)

she was coming when she got in the automobile. I did not hear the statement by Johnny [84] (Marie Harris) that she could make more money here in a sporting house than in Portland. I knew nothing about it.

The following is true (excerpts from Exhibit No. 3): "We drove with Mr. Green and June in Green's Ford Sedan. He drove all the way and when we went to Seattle we went to Vernon's house. June was still there when I left."

The automobile stopped at Green's. I got out. I went inside of the house. I stayed ten or fifteen minutes. I don't know whether June was there when I left or went upstairs. I went down town to Willy Morris'. I don't know the address, I think two blocks from Jackson Street—maybe it is 12th Street. I didn't go back that evening. I cannot recall Green's address. Have heard that Green's house is 919 Washington Street. I wasn't doing nothing so I went back to Portland to see if I could get a job there. I am a veteran of the World War. I forget the outfit. I have a discharge in my pocket. It was an infantry. I got an honorable discharge; it is a little shabby and torn.

I saw June at Green's place two or three days after that. I never saw her since I came here. Now I say in addition to the above: "I wish to state that Johnny Lloyd was present in her home with Green and June before we went to Seattle." There is nothing else I want to tell the jury. I have told them everything I know.

(Testimony of Sherman Johnson.)

By Mr. Heiman:

I do not know James Barker at all. I never had any conversation with him. I never discussed any of the matters of this case with him or with you.

By Mr. Crandell:

I had been drinking a little bit that afternoon, one or two drinks. Not enough liquor to affect my memory. [85]

Cross Examination

By Mr. Pelligrini:

When the automobile stopped at Green's place, Green and I and June and Mrs. Green were there.

I know of Sonny Lee. I don't know whether he lived in Portland. I met him there three or four years ago.

Defendants Rest.

Whereupon the following motion was made by Mr. Crandell:

“At this time I challenge the sufficiency of the evidence, the government having rested and the defense having rested. I challenge the sufficiency of the evidence to warrant submitting the case to the jury with reference to the defendant Lee, and also with reference to the defendant Vernon Paul Green, and also with reference to the defendant Genevieve Green, on both Counts, one and two.”

After which oral argument was made by Mr. Crandell.

“The Court: Motion denied as to each question, as to all of these defendants.

Mr. Crandell: An exception.

The Court: Exception allowed.”

Whereupon the defendant requested the following instruction:

“You are instructed that no person offered as a witness shall be excluded from giving evidence by reason of conviction of crime, but such conviction may be shown to affect his credibility; Provided, that any person who shall have been convicted of the crime of perjury shall not be a competent witness in any case, unless such conviction shall have been reversed, or unless he shall have received a pardon.

Sec. 1212

Rem. Compiled Statutes

6 Wash. 563

139 Wash. 636.”

Whereupon respective counsel addressed the Jury. [86]

Whereupon the court instructed the jury as follows:

“Instructions

Members of the jury, you have heard the testimony and the arguments of counsel. After the Court instructs you, you will retire to the jury room to consider your verdict. In this case there are five de-

defendants on trial on the two counts of the indictment. To the indictment and to each count thereof, each defendant on trial entered a plea of not guilty. This plea of not guilty puts in issue every material allegation of the indictment, each count thereof on which the defendants on trial are being tried, and casts upon the Government the burden of proving the guilt of the defendants on trial by the evidence beyond a reasonable doubt. The defendants are not called upon to disprove the contents of the indictment or prove their innocence.

Marie Harris is not now on trial before you, and you are not concerned with her as a party, or her guilt or innocence, and you will give no consideration to the guilt or innocence of the defendant Marie Harris. Of the whole number charged in the indictment there are on trial before you only five of those defendants, namely Vernon Paul Green, Genevieve Green, Sherman Johnson, Robert DeShay Lee, and James Barker. It is only with determining their guilt or innocence that you are concerned. The fact that one of the defendants is not on trial now before you raises no presumption as to the guilt or innocence of any defendant on trial now, and must be considered by you in no way in considering the guilt or innocence of those defendants on trial before you.

The indictment is merely the paper charge and formal accusation against the defendants, which they have had no opportunity to answer before this trial. The indictment is not to be considered by you

as evidence in any sense against the defendants, and the [87] fact that the indictment has been returned by the Grand Jury is not to be considered by you as evidence of truth of what it states. The burden is always on the Government to prove the defendants guilty by competent evidence beyond a reasonable doubt. That burden must be successfully met by the Government before you can convict the defendants.

In this case you must consider separately each and every count of the indictment on which the defendants are being tried. As to those counts, you must decide the guilt or innocence of each of the defendants separately as to each and every count separately, and if you have as to a particular defendant a reasonable doubt under the evidence of any material allegation of the particular count of the indictment you are considering, it is your duty to acquit that defendant as to such count. But if, as to the particular defendant you are considering, you have no such reasonable doubt concerning any such allegation, it is your duty to convict him on each count as to which, under the evidence, you have no such reasonable doubt.

In Count I of the indictment the defendants and each of them are charged with knowingly, wilfully, unlawfully, and feloniously combining, conspiring, confederating, and agreeing together and with each other to transport and cause to be transported, to aid and assist in obtaining transportation for, and in transporting women in interstate commerce from

the City of Portland in the State of Oregon, to the City of Seattle, in the State of Washington, and from the City of Seattle, in the State of Washington, to the City of Portland, in the State of Oregon, for the purpose of prostitution, debauchery, concubinage, and other immoral practices in violation of the White Slave Traffic Act.

Count I further alleges that the said defendants and each of them did commit certain overt acts in furtherance and in pursu- [88] ance of the said conspiracy, and in order to effect the objects thereof and to effect unlawful agreement.

The law makes it unlawful for two or more persons to combine, conspire, confederate and agree together and with each other to commit any offense against the United States of America, particularly in this case, the aiding and assisting in obtaining transportation for, and in transporting women in interstate commerce for the purpose of prostitution, debauchery, and concubinage, and if any person or persons do combine, conspire, and confederate with each other to transport women in interstate commerce for the aforesaid immoral purposes, then such person or persons are guilty of violations of the laws of the United States.

In Count II of the indictment the defendants and each of them are charged with knowingly, wilfully, unlawfully and feloniously transporting and causing to be transported, and aiding and assisting in obtaining transportation for a certain woman, to wit, June Allen, alias June Woods, in interstate

commerce from the City of Portland in the State of Oregon to the City of Seattle in the State of Washington for immoral purposes, to wit, for the purpose of prostitution, debauchery, concubinage, and and other immoral purposes in the City of Seattle in the State of Washington.

The law forbids any person to transport or cause to be transported, or aid or assist in obtaining transportation for, or in transporting in interstate commerce any woman for immoral purposes, to wit, for the purpose of prostitution, debauchery, concubinage, and other immoral purposes, and any such person who transports or causes to be transported, or aids and assists in obtaining transportation for any woman from one state to another for immoral purposes aforesaid, is guilty of violations of the laws of the United States.

Each of the defendants on trial, as well as each defendant in a criminal case, is presumed innocent of the charges contained [89] in the indictment until he is proved guilty by the evidence beyond a reasonable doubt, and this presumption is one of his important rights, not to be ignored or lightly considered by the Court or jury. It is one of the important rights which the law accords all persons accused of a crime. It adheres to them and continues with them throughout all stages of your deliberations until it has been overcome by competent evidence in the case, and until the guilt of a particular defendant has been established by the evidence beyond a reasonable doubt, notwithstanding the pre-

sumption of innocence with which the law clothes all accused persons. This applies to each defendant on trial here.

The expression "reasonable doubt" is meant in law just what those words in their ordinary and every day use imply. They have no technical or legal meaning different from their ordinary meaning. A reasonable doubt is a doubt which is based upon reason or is a doubt that is not unreasonable, and not merely imaginary or capricious. It is such a doubt as, if entertained by a person of ordinary prudence, sensibility and decision, he would allow to influence him in transacting the graver or more important affairs of life, causing him to pause or hesitate before acting thereon. It must be a real and substantial doubt, and it must rise out of the honest minded, commonsense consideration and application of the evidence in the case, or from lack of evidence in the case.

If from a fair and candid consideration of all the evidence you can say upon your oath as jurors that you have an abiding conviction of the truth of the charge to a moral certainty, then you have no reasonable doubt and should convict. If you have no such moral convictions, or if you entertain doubts for which sane and satisfactory reasons can be assigned in your own minds, you must give defendants the benefit of that doubt and find them not guilty.

A conspiracy, as the word is used in the conspiracy law and in the first count of the indictment,

is an agreement between [90] two or more persons acting on a common purpose to commit an offense; insofar as this case is concerned the particular offense, or one of them, described in the first count.

There can be no conspiracy of any kind unless three elements are present. Those are, first, the act of conspiring together of two or more persons; second, to commit the particular offense charged in the indictment; and third, the doing of something in furtherance of such unlawful design.

There is no such thing as one person conspiring. A person who alone plans and commits a criminal act is not guilty of conspiracy.

It is not necessary to render a person guilty of conspiracy that he be one of the original persons forming the conspiracy. He may have joined it after its formation. If so, he thereby becomes as guilty as one of the original conspirators.

However, to render such a person guilty under such law, it is necessary that after he has become a member of such conspiracy, some act be done by one of the conspirators toward carrying out the unlawful agreement of the conspiracy.

In order to establish the guilt of a particular defendant under the conspiracy count, it is necessary that the Government prove beyond a reasonable doubt that the conspiracy was founded as alleged, and that it was entered into by the particular defendant as charged, and second, that after that particular defendant became a member of such conspiracy, one or more of the overt acts of the con-

spiracy was committed as alleged in the indictment.

The common purpose, design, agreement, and cooperation among the participants are the essence of the conspiracy. To prove a conspiracy existed and was in operation, it is not necessary that two or more persons entered into a written or expressed agreement, or made any formal declaration acknowledging membership in the conspiracy, but it is necessary to prove by competent evidence [91] beyond a reasonable doubt that they cooperated in furtherance of a common and unlawful plan previously formed. Conspiracy may exist either to do something unlawful or to do any lawful thing in an unlawful way.

You will note Count I of the indictment purporting to the charge of conspiracy sets forth a number of so called overt acts, but you are instructed that mere proof of overt acts as charged in Count I of the indictment herein, alone proves no conspiracy without further proof beyond a reasonable doubt of an unlawful agreement entered into by two or more persons named in the indictment herein to commit the unlawful acts charged in Count I of the indictment. This is true even though evidence shows the overt acts are acts alleged to be unlawful in themselves.

You are further instructed that such overt act or overt acts must be found from the evidence to be clearly referable to the unlawful agreement provided you find from the evidence that such unlawful agreement in fact did exist as alleged in Count I of

the indictment herein. Even participation in the offense itself which is alleged to be the object of the conspiracy does not necessarily prove a participant guilty of such conspiracy.

There must in addition thereto be proof beyond a reasonable doubt of the unlawful agreement and participation therein by the particular defendant or defendants with knowledge on his or their part of the existence of the unlawful agreement charged in the indictment. These matters must be proved by the evidence beyond a reasonable doubt. The unlawful agreement is the gist of the offense of conspiracy and unless you find two or more of the persons named in the indictment herein so entered into the unlawful agreement specifically charged in the indictment, and actively participated therein, and that one or more of the defendants committed at least one of the overt acts alleged in Count I of the indictment, with knowledge of such unlawful agreement, you are not at liberty to return a verdict of guilty herein with [92] respect to Count I of the indictment.

It is not necessary that the Government establish the time of the formation of the conspiracy exactly. Nor need the Government show the dates of the overt acts charged.

If in this case a conspiracy existed, it ceased to exist upon the arrest of the defendants and no acts done nor statements made by any one of them, thereafter, can be considered by you as evidence of the existence of conspiracy.

It is not necessary that all of the parties to the conspiracy know what the others did, nor need all conspirators be acquainted with each other or have previous association with each other. One conspirator may know but one other member of the conspiracy, but if he, knowing that the others have combined and are cooperating to further the object of the conspiracy, consciously participates therein, he is a conspirator.

You are instructed that on the question of whether the alleged conspiracy existed as charged, you are not to consider any statements made or acts done by any defendant in furtherance of the alleged conspiracy in the absence of other defendants except against the individual making the statements or doing the acts, unless you are convinced by the evidence beyond a reasonable doubt that the defendant so making such statements or doing such acts was authorized by another or other of the defendants to make those statements or do those acts in furtherance of the alleged conspiracy. And in such case you will consider such evidence only against the defendant actually making the statements or doing the acts, and such other defendants as you shall be convinced by the evidence beyond a reasonable doubt, if you are so convinced, authorized the making of such statements or the doing of such acts.

But where an unlawful object is sought to be effected, and two or more persons actuated by a common purpose, pursue a preconceived plan to ac-

comply with that purpose, act and work together in [93] furtherance of the unlawful scheme, each party is a party to the conspiracy, no matter what part he takes in the execution of the unlawful plan. And if two or more persons are proven to have combined together for the same illegal purpose, any act done by one of the parties in furtherance of the original concerted plan is in contemplation of the law the act of all those parties. Likewise, if a conspiracy has been established by the evidence beyond a reasonable doubt, every one of the conspirators is bound by the declarations and acts of the co-conspirators in furtherance of the conspiracy, and under those circumstances the acts and statements of one done and made in furtherance of the conspiracy, are the acts and statements of all the persons who are members of the conspiracy.

You are instructed that a crime may consist of many acts, all of which must be committed in order to complete the offense. But each person present, in doing one act which is an ingredient of the crime, or immediately connected with or leading to its commission, is as much a principal as if he had with his own hands committed the offense.

You are instructed that to find the defendants, or any of them, guilty of the offenses charged in Count II of the indictment, it is not necessary to find that they, or any of them, personally committed all of the acts charged. If you find that they, or any of them, aided, abetted, counselled, commanded, induced or procured the commission of

the alleged crime, then each defendant, if any, who did that is just as guilty as if he individually completely perpetrated the crime himself.

You are instructed that a witness who is a prostitute is competent to testify; that the showing that such witness is a prostitute is for the purpose of affecting the credibility to be given such witness, and the weight to be given her testimony.

You are instructed that no person offered as a witness should be excluded from giving evidence by reason of conviction of a [94] crime, but such conviction may be shown to effect his credibility.

The term "interstate commerce" includes transportation of a woman from one state to another for immoral purposes, to wit, for the purpose of prostitution, debauchery, and concubinage. Transportation of women in interstate commerce for immoral purposes, to wit, for the purpose of prostitution, debauchery, and concubinage, may be effected partly by private automobile and partly by common carrier, such as bus or street car.

The Mann Act or White Slave Traffic Act here involved properly applies to cases where there is interstate traffic in commercial sexual vice, not those cases involving exclusively local activities in prostitution unconnected with interstate commerce in women or girls for that purpose.

If from the evidence you find that the movement of the prostitute mentioned in the evidence from Portland to Seattle, or Seattle to Portland, had no

connection with interstate traffic or commerce in a woman for the purpose of having her engage in the business of prostitution or debauchery at Seattle, then you should acquit all these defendants.

It is not sufficient for conviction as to any one of the defendants merely that he or she carried on an unlawful business in Seattle or elsewhere. In order to find any one of the defendants guilty you must find that he or she knowingly, wilfully, unlawfully or feloniously transported or caused to be transported, or aided and assisted in obtaining transportation for the woman in question from Portland to Seattle, or Seattle to Portland, for the purpose of prostitution or debauchery, or that he or she knowingly, wilfully, unlawfully or feloniously conspired with another defendant or other defendants to so transport or cause such woman to be transported, or to aid and assist in such woman to be transported for such purpose, and if so conspiring, some one or more of the alleged overt acts were committed by one of the defendants for the purpose of effecting the object of the conspiracy. [95]

I instruct you that the witness, Marie Harris, is charged in the indictment as a co-defendant and is known in law as an alleged accomplice with the defendants on trial. An accomplice is defined to be concerned with others in said crime. Even accomplices in a crime are competent witnesses and the Government has the right to present their testimony and the jury may properly consider it. The testimony of an accomplice, however, comes from a pol-

luted source and should be received with caution and weighed with great care. While it is true that a jury may convict on such testimony alone, yet the jury should not rely upon it unsupported for a conviction unless it produces in their minds a positive conviction of its truth. If it does, the jury should act on it.

In considering the testimony of Marie Harris, you should consider her appearance and demeanor on the witness stand, her manner of testifying, the improbability or probability of the facts to which she testified, her motives or interest in the case, whether her testimony was given on the promise or hope of reward, or of mitigation of her offense, her apparent fairness or lack of fairness, apparent candor or lack of candor, the reasonableness or unreasonableness of the story such witness relates, whether or not her testimony is consistent with the other evidence or admitted facts in the case, and any other fact or circumstances arising from the evidence which appeals to your judgment as any way affecting the credibility of such witness.

You are thereby instructed that you are to receive the testimony of such accomplice witness with caution and examine it with great care. This does not mean, however, that you are to arbitrarily reject it. It only means that you are to receive it with caution and examine it with great care. If, however, having done so and considering such testimony in the light of all these rules, you thereafter believe in the truth of such witness' testimony, then

you should give it the same credence as the testimony of any other witness. [96]

Intent is an ingredient of crime. It is psychologically impossible for you to enter into the mind of any defendant and determine the intent with which he operated. You must, therefore, determine the motive, purpose and intent from the testimony which has been presented and you will consider all the facts and circumstances disclosed by the testimony of witnesses, bearing in mind that the law presumes that every man intends the legitimate consequences of his own acts. Wrongful acts, knowingly or intentionally committed, cannot be justified on the ground of innocent intent. The color of the act determines the complexion of the intent.

There are two kinds of evidence, direct or positive, and circumstantial. Direct or positive testimony is that which a person observes or sees, or which is susceptible of demonstration by the senses. Circumstantial evidence is proof of such facts and circumstances concerning the conduct of the parties which conclude or lead to a certain inevitable conclusion. Circumstantial evidence is legal and competent as a means of proving guilt in a criminal case, but the circumstances must be consistent with each other, consistent with the guilt of the parties charged, inconsistent with their innocence, and inconsistent with every other reasonable hypothesis except that of guilt, and when circumstantial evidence is of that character, it is alone sufficient to

convict. You will review all of the circumstances in the light of this instruction.

You are the sole and exclusive judges of the evidence and of the credibility of the several witnesses and of the weight to be attached to the testimony of each. In weighing the testimony of a witness you have a right to consider his demeanor upon the witness stand, his apparent fairness or lack of fairness, the apparent candor or lack of candor of such witness, the reasonableness or unreasonableness of the story such witness related, and the interest, if any, you may believe a witness feels in the result of the trial, and any other fact or circumstances arising from the evidence which appeals [97] to your judgment as in any way affecting the credibility of such witness, and to give to the testimony of the several witnesses just such degree of weight as in your judgment it is entitled to.

You will be slow to believe that any witness has testified falsely in the case, but if you do, then you are at liberty to disregard the testimony of such witness entirely except insofar as same may be corroborated by other credible evidence in the case.

The defendants on trial having testified as witnesses, the foregoing relating to credibility of witnesses and weight of testimony applies to such defendants and their testimony, as well as to all other witnesses in the case.

You will consider all exhibits and evidence admitted by the court before you, and disregard all testimony not admitted by the Court and all ex-

hibits and evidence stricken by the Court. You will likewise disregard all argument and comment by counsel based on exhibits and evidence not admitted or stricken by the Court and you will consider exhibits and evidence limited in their evidentiary effect by the Court only in accordance with the limitations and conditions expressed by the Court when admitted.

In this connection you are instructed you are not called upon to pass upon the objections or exceptions made or taken by counsel, and should not allow the making of exceptions or objections by counsel to influence you. Statements, if any, by counsel or the Court, unsupported by your own recollection of the evidence, you will disregard. Likewise you will disregard all statements of counsel and the Court made to each other in connection with objections and exception, and rulings thereon, and particularly all statements and directions and remarks addressed by the Court to counsel during the trial.

In your deliberations and in reaching a verdict you should act only upon the evidence which is now before you and the law as given to you by the Court. [98]

The indictment in this case will be sent to the jury room with you merely to show you the paper charge against the defendants, but is not to be considered as evidence. You will take with you to the jury room the exhibits in the case. The verdict is in the usual form. As to each defendant, as to each count, before the word "guilty" is a blank. You

will write in there in each instance the word "is" or "not", as you find. It will require your entire number to agree upon a verdict and when you have agreed you will cause your verdict to be signed by your foreman, whom you will elect among your number immediately upon retiring to the jury room, and return with your verdict into open Court." Defendant Lee excepted to failure of Court to instruct as to perjury of June Allen. Exception allowed.

Whereupon the Jury retired and after deliberation returned into court and rendered their verdict of "Guilty" as to Count I. and "Not Guilty" as to Count II. on the indictment against the defendant Robert DeShay Lee, which will more fully appear in the transcript of the Clerk of the District Court. That thereafter a petition for a new trial was regularly made, as will more fully appear in the said transcript of the Clerk, which was brought on for hearing before the above entitled court on the 5th day of November, 1938, argued and submitted to the court, and by the court denied, to which denial, and to the entry thereof, the defendant excepted at the time of the entry of said order denying same, and his exceptions were allowed by the court; whereupon judgment was pronounced and defendant sentenced, as will more fully appear in the Clerk's transcript.

Wherefore, counsel for the defendant presents the foregoing Bill of Exceptions in the above entitled cause and prays that the same may be settled

and allowed, as provided by the rules and practices of the court.

GEO. H. CRANDELL

Attorney for defendant,
Robert DeShay Lee

P. O. & Office Address:

1702 Smith Tower,
Seattle, Washington.

Foregoing bill approved.

GEO. H. CRANDELL

Atty. for Def.

Robert DeShay Lee

Approved:

G. D. HILE

Asst. U. S. Atty.

[99]

State of Washington
County of King—ss.

I, John C. Bowen, Judge of the District Court of the United States for the Western District of Washington, Northern Division, and Judge before whom the foregoing cause entitled, "United States of America, Plaintiff, versus Vernon Paul Green, Genevieve Green, Sherman Johnson, Robert DeShay Lee, James Barker and Marie Harris, Defendants," was heard and tried, do hereby certify that the matters and proceedings embodied in the foregoing Bill of Exceptions are matters and proceedings occurring in the said causes, and that the same are hereby made a part of the record therein; and

I further certify that the said Bill of Exceptions, together with all of the exhibits and other written evidence on file in said causes, and attached to said Bill of Exceptions, contains all the material facts, matters and proceedings heretofore occurring in the said causes and not already a part of the record therein; and said Bill of Exceptions and the exhibits attached thereto, are hereby made a part of the record in said causes, the Clerk of the Court being hereby instructed to attach all the exhibits thereto.

Counsel for the respective parties being present and concurring herein, I have this day signed this Bill of Exceptions.

In Witness Whereof, I have hereunto set my hand this 15th day of December, 1938.

JOHN C. BOWEN

Judge of the District Court
of the United States.

[Endorsed]: Filed Dec. 15, 1938. G O B 18—
Page 33. [100]

[Endorsed]: No. 9031. United States Circuit Court of Appeals for the Ninth Circuit. Robert DeShay Lee, Appellant, vs. United States of America, Appellee. Transcript of Record. Upon Appeal from the District Court of the United States for the Western District of Washington, Northern Division.

Filed, January 16, 1939.

PAUL P. O'BRIEN,

Clerk of the United States Circuit Court of Appeals
for the Ninth Circuit.

IN THE
UNITED STATES
CIRCUIT COURT OF APPEALS

For the Ninth Circuit 12

NO. 9031

ROBERT DESHAY LEE,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

APPEAL FROM THE DISTRICT COURT OF THE UNITED
STATES FOR THE WESTERN DISTRICT OF
WASHINGTON, NORTHERN DIVISION

HONORABLE JOHN C. BOWEN, *Judge*

APPELLANT'S OPENING BRIEF

GEO. H. CRANDELL,
Attorney for Appellant

1702 Smith Tower
Seattle, Washington.

FILED

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GEO. H. CRANDELL,
Attorney for Appellant

1702 Smith Tower
Seattle, Washington.

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IN THE
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For the Ninth Circuit

NO. 9031

ROBERT DESHAY LEE,

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Appellee.

APPEAL FROM THE DISTRICT COURT OF THE UNITED
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WASHINGTON, NORTHERN DIVISION
HONORABLE JOHN C. BOWEN, *Judge*

APPELLANT'S OPENING BRIEF

STATEMENT OF JURISDICTION

Jurisdiction of the District Court

Appellant was indicted for violation of the Mann Act on two counts in the District Court of the United States for the Western District of Washington, North-

ern Division, on September 17, 1938. (Tr. p. 3) In Count I for conspiracy in obtaining transportation from the city of Portland in the state of Oregon to the city of Seattle in the state of Washington, and from the city of Seattle to the city of Portland, for immoral purposes, between the 4th day of July, 1936, and the 16th day of July, 1937. In Count II for obtaining transportation for a certain woman, to-wit: June Allen, on the 8th day of July, 1936, from the city of Portland in the state of Oregon to the city of Seattle in the state of Washington for immoral purposes. (Vio. Section 88, Title 18, U. S. C. A.) conspiracy to violate Section 398, Title 18, U. S. C. A., and vio. Section 398, Title 18, U. S. C. A.

On the 23rd day of September, 1938, the appellant entered a plea of not guilty (Tr. p. 9). The trial resulted in a verdict of guilty as to Count I and not guilty as to Count II.

The District Court had jurisdiction. (28 U. S. C. A. 41; Judicial Code, Section 24, Paragraph I.)

Jurisdiction of the Circuit Court of Appeals

The Circuit Court of Appeals has jurisdiction (28 U. S. C. A., Section 225; Judicial Code, Section 128).

STATEMENT OF THE CASE

Appellant was indicted and tried in the United States District Court for the Western District of

Washington, Northern Division, together with four other defendants, Vernon Paul Green, Jean Green, Sherman Johnson and James Barker. Marie Harris testified as a Government witness after a plea of guilty. Vernon Paul Green and Jean Green were convicted on both counts. Appellant was convicted on Count I and acquitted on Count II.

The conspiracy is alleged to have existed between on or about the 4th day of July 1936, and the 16th day of July, 1937 (Tr. p. 3). The Government depended almost solely upon the evidence of June Allen, alias June Woods.

Giving the Government the most favorable construction to her testimony, (that portion in italics is disputed by one or more witnesses), it appears that June Allen, alias June Woods, was transported from Portland in the state of Oregon to the city of Seattle in the state of Washington on July 8, 1936, in an automobile owned and operated by the defendant Vernon Paul Green, accompanied by Sherman Johnson, alias Ben Purvis (Tr. p. 28). At that time neither the appellant nor June Allen knew of the other. They met *at 919 Washington Street in Seattle, Washington at the home of Mrs. Green August 4, 1936 (Tr. p. 32). Thereafter from time to time for a period of about nine months the appellant and June Allen lived together in the Marr Hotel in Seattle, Washington, dur-*

ing which time June Allen gave to appellant her earnings as a prostitute (Tr. p. 33). On Christmas, 1936, June Allen gave to appellant a combination clock and lighter (Tr. p. 34). Appellant took June Allen from Seattle to Vancouver, Washington, where she got out of the car and took a bus into the city of Portland, Oregon, later meeting appellant at the home of Myrtle Barno, 3236 North Vancouver Avenue, Portland, Oregon (Tr. p. 34). June Allen told the prosecutor it was the latter part of September, 1936, but that she could not state the day or the month but it was in 1937; that the purpose of her trip was to see her mother and son, both of whom were ill, (Tr. p. 33) and she asked Mr. Lee to take her there because of that fact and that was the only reason she gave for the trip. (Tr. p. 45)

At the age of sixteen June Allen was away from home on an overnight trip in a stolen automobile with two boys and a girl companion. The boys were arrested and June Allen was a witness against them for the state and the boys were sent to the penitentiary. (Tr. p. 43). In addition June Allen testified against and was instrumental in convicting seven people on white slave charges (Tr. p. 43). She started the life of a prostitute in 1936. She has since that time lived with eight colored men. Her first patron as a prostitute was a colored man. The longest period of time in the five years that she lived with any one colored man was

seven months (Tr. p. 44). Of all the colored men with whom she lived, other than the appellant and the co-defendant James Barker, whose names she could remember, were James Obey, with whom she lived in Portland, Oregon and Aberdeen, Washington, and Arthur Richardson, with whom she lived in Portland about a month. (Tr. p. 46).

June Allen was a witness in the case in Federal Court involving a white slave charge against Jack Clark, in which case she admitted she committed perjury. (Tr. p. 42). In a white slave case being prosecuted in the United States District Court at Seattle, and before the trial judge herein, about a week prior to the trial of the instant case June Allen admitted she committed perjury. (Tr. p. 48).

The questions raised for review on this appeal are briefly as follows:

1. Insufficiency of the evidence.
2. The failure of the court to give to the jury a cautionary instruction regarding the testimony of the Government's principal witness, June Allen, after she had admitted committing perjury upon two former hearings in Federal court involving white slave traffic cases.

SPECIFICATIONS OF ERROR

Specification No. I.

- (a) Assignment No. I. (Tr. p. 22)

(b) Assignment No. II. (Tr. p. 23)

(c) Assignment No. III. (Tr. p. 23)

Specification No. II.

(a) Assignment No. IV. (Tr. p. 23)

ASSIGNMENTS OF ERROR

Assignment of Error No. I.

The Court erred in overruling appellant's challenge to the sufficiency of the evidence and motion to direct a verdict in favor of appellant and against the Government of not guilty as to Count I in the indictment, for the reasons that there was no evidence by the Government remotely connecting appellant with the crime charged in Count I of the indictment.

Assignment of Error No. II.

The Court erred in denying appellant's challenge to the sufficiency of the evidence at the close of the entire case and in the refusal of the Court to direct a verdict of "not guilty as to Count I of the indictment" upon the ground and for the reason that there was no evidence, either upon the part of the Government or upon the part of the appellant, or at all, remotely connecting appellant with the crime charged in Count I of the indictment.

Assignment of Error No. III.

The Court erred in refusing appellant's requested

instruction that the jury return a verdict of not guilty as to appellant on Count I of the indictment.

Assignments of Error No. I., No. II., and No. III. raised the same points of law and will be discussed together.

ARGUMENT

Summary of Argument

Insufficiency of the evidence. (a) No evidence of agreement, understanding or concerted action with guilty knowledge between the appellant and any one or more of the defendants. (b) The object of the trip to Portland as contended for by the Government was not in violation of the statute.

Detailed Argument

(a) Reference to the evidence offered by the Government, and giving the Government the benefit of the most favorable interpretation thereof, fails to establish one of the essential elements of conspiracy. Neither the appellant nor June Allen knew the other until August 4, 1936, almost a month after June Allen was brought from Portland to Seattle. (Tr. p. 32). That they lived together and appellant received her earnings (Tr. p. 33) unsupported by a corrupt agreement or understanding between appellant and some other person, together with guilty knowledge on the

part of each, is not sufficient to prove conspiracy. *Morrison v. California*, 97 Law Ed. 664.

(b) June Allen testified on direct examination: "The object of the trip to Portland was I wanted to go to Portland to see my mother and son who were both ill." (Tr. p. 33). Again on cross-examination: "I wanted to go to see my mother and son and I asked Mr. Lee to take me because of that fact. This is the only reason I had to go and that is the only reason I gave him * * * I went to Portland for the sole purpose of seeing my mother and baby." (Tr. p. 45). In addition to this June Allen testified that she stayed overnight in Portland with appellant and that they had intercourse. It must be remembered, however, that all that testimony was positively and unequivocally denied by appellant.

Assuming that the testimony of June Allen is true, it does not prove the act denounced by the statute.

"The mere fact that an immoral act was committed in an interstate journey does not of itself constitute that essential element of the offense. Its relevance in that respect is evidential, not substantive, and when relied upon as evidence of a preconceived purpose care must be taken to regard it in its true perspective."

Biggerstaff v. U. S., 260 Fed. 926.

"The transportation must be for an immoral purpose denounced by the act and hence transportation for this purpose or the mere commission of

an immoral act with a woman while on an interstate trip for a lawful purpose where immorality was merely casual and not the purpose for which the trip was made, does not bring the transportation within it."

Corpus Juris, Vol. 5, p. 820, Sec. 57.

See also: *Sloan v. U. S.*, 270 Fed. 91; *Van Pelt v. U. S.*, 240 Fed. 346 and *Fisher v. U. S.*, 266 Fed. 667.

The last cited case is particularly in point. The purpose of the visit which involved traveling interstate was for the purpose of visiting a relative. The appellant furnishing the transportation and during the trip engaged in an immoral act with the Government's witness. It was held that the immoral act was incidental, the purpose of the trip being a visit to the relative. The evidence of the Government therefore brings the instant case within the rule above quoted and not within the white slave act.

Assignment of Error No. IV.

The Court erred in refusing to give the jury a cautionary instruction with reference to the testimony of June Allen.

ARGUMENT

Summary of Argument

Perjury committed in the presence of the trial judge, admitted by the witness in open court, with the admission of further perjury in the trial of a similar case, requires the Court to either strike all the testimony of

such witness or in the alternative to give an extreme cautionary instruction to the jury on the court's own motion.

Detailed Argument

The witness June Allen, upon whom the Government almost solely depended, admitted upon cross-examination that she had committed perjury recently in two separate proceedings in the United States District Court in which a violation of the Mann Act was in issue, one of which was being tried by the trial judge in this case (Tr. pps. 42, 47 and 48). These admissions of perjury were made upon cross-examination. At the close of the cross-examination appellant moved the Court to strike the testimony of the witness upon the ground that she had admitted perjury, which motion was denied and exception was allowed. (Tr. p. 46).

The statute of the State of Washington, *Remington's Compiled Statutes of Washington*, Sec. 1212, Provides:

“No person offered as a witness shall be excluded from giving evidence by reason of conviction of crime, but such conviction may be shown to affect his credibility; Provided, that any person who shall have been convicted of the crime of perjury shall not be a competent witness in any case, unless such conviction shall have been reversed, or unless he shall have received a pardon.”

The following written instruction was requested by the appellant:

“You are instructed that no person offered as a witness shall be excluded from giving evidence by reason of conviction of crime, but such conviction may be shown to affect his credibility; Provided, that any person who shall have been convicted of the crime of perjury shall not be a competent witness in any case, unless such conviction shall have been reversed, or unless he shall have received a pardon. Sec. 1212 Rem. Compiled Statutes, 6 Wash. 563, 139 Wash. 636.” (Tr. p. 112).

To preserve the purity of its procedure reason prompts the adoption of the rule that the Court on its own motion, under circumstances as presented in this record, especially where perjury is committed before the trial judge, should either exclude the testimony entirely or subject it to a most extreme cautionary instruction. In the trial of this case the Court failed to do this, in face of a timely motion to exclude and a timely request for a cautionary instruction. This was clearly error.

Speiller v. U. S., 31 Fed. (2nd) 682. In this recent case where the admission of perjury was less glaring because the admitted perjury was in another state and in a state court, the Circuit Court of Appeals reversed, in the face of the defendant's failure to make a timely

request of any kind, using the following expression at p. 683:

“Under these circumstances, while the request of the defendant was not submitted in time, the jury should have been instructed, even without request, that her testimony should be subjected to careful scrutiny and considered with great caution.”

This rule has not been modified, so far as counsel is able to ascertain, in the slightest degree. It is a wholesome rule and in the furtherance of the inherent power of the Court to preserve the highest standard of integrity of oral testimony, the above quoted rule should be sustained.

Appellant submits that the case should be reversed, with instructions to dismiss the action or in the alternative ordering a new trial for the appellant.

Respectfully submitted,

GEO. H. CRANDELL,

Attorney for Appellant.

United States
Circuit Court of Appeals
FOR THE NINTH CIRCUIT 13

ROBERT DeSHAY LEE,

Appellant,

—vs.—

UNITED STATES OF AMERICA,

Appellee,

UPON APPEAL FROM THE DISTRICT COURT OF THE
UNITED STATES FOR THE WESTERN DISTRICT
OF WASHINGTON, NORTHERN DIVISION.

HONORABLE JOHN C. BOWEN, *Judge*

BRIEF OF APPELLEE

J. CHARLES DENNIS,
United States Attorney.

F. A. PELLEGRINI,
GERALD SHUCKLIN,

Assistant United States Attorneys.
Attorneys for Appellee.

Office and Post Office Address:
226 Post Office Building,
Seattle, Washington.

FILED

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**United States
Circuit Court of Appeals
FOR THE NINTH CIRCUIT**

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UNITED STATES OF AMERICA,

Appellee,

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OF WASHINGTON, NORTHERN DIVISION.

HONORABLE JOHN C. BOWEN, *Judge*

BRIEF OF APPELLEE

STATEMENT OF THE CASE

Appellant was indicted and tried in the above cause in the United States District Court for the Western District of Washington, Northern Division, together

with four other defendants, Vernon Paul Green, Jean Green, Sherman Johnson and James Barker. The defendants Vernon Paul Green and Jean Green were convicted on both counts of the indictment. Marie Harris entered a plea of guilty. Appellant was convicted on Count I and acquitted on Count II.

The conspiracy count of the indictment against the appellant and his co-defendants, count I (under Sec. 88, Title 18, U.S.C.A.), charges that the period of the conspiracy to violate the provisions of the White Slave Traffic Act (Sec. 398, Title 18, U.S.C.A.), was between July 4th, 1936, and July 16th, 1937. (Tr. 3, 4). Overt acts are set forth in this count covering certain acts of the defendants during this period. (Tr. 5-8)

According to the testimony at the trial the victim in the case, June Allen, first met the defendant Vernon Paul Green in Seattle, on July 4th, 1936. She next saw him with the defendant Sherman Johnson, alias Ben Purvis, in Portland, Oregon, on July 8th, 1936, at the place where she was working as a prostitute. Green asked her to come to Seattle to practice prostitution. At that time she declined, but later met him at Marie Harris' place in Portland, and agreed to come to Seattle. (Tr. 25, 31) Marie Harris told June Allen in Green's presence that if he could stop her from drinking and running around so much she would be much better off in Seattle than in Portland. After

June Allen packed her clothes she proceeded to Seattle with the defendants Green and Johnson, alias Ben Purvis, in Green's automobile. On the way to Seattle, Green told her that if she did as he said she could make more money in Seattle than she did in Portland.

Upon their arrival in Seattle, they went to the house of prostitution at 919 Washington Street, where she met Mrs. Green. Mrs. Green explained to June Allen how the house was run, and that they were to equally divide the proceeds, except that Mrs. Green was to receive fifty cents per day in addition. (Tr. 28, 29) June Allen practiced prostitution at this place from July 9th, 1936, until July 16th, 1937. (Tr. 31)

She met appellant Robert DeShay Lee on August 4th, 1936, at Mrs. Green's place, where she was working. He drove past the house and waved at Mrs. Green. Mrs. Green told June Allen not to wave back, stating "That is Sonny Lee, and if you do, he will be back in half an hour." Lee did come back and Mrs. Green introduced them. (Tr. 32) Lee asked June to go out with him, which she did. On this occasion he asked her to move in with him but she told him she could not because she was going with Barker. However, on August 15th, 1936, June Allen moved in with Lee. She gave him all of the money she had made for approximately nine months off and on; during this

period she lived with him about seven months of the time. (Tr. 33)

June Allen made one trip to Portland with Lee the latter part of September, 1936. She had mentioned for several days that she wanted to go to Portland to see her mother and son, who were both ill. Lee said "No, when I get ready, I will take you." (Tr. 33) Prior to their leaving she packed a small bag with several dresses in it, but when she arrived in Portland they were missing. (Tr. 33, 34) Later, she found them thrown behind the furniture in her room at the Greens'. Mrs. Green told her that Lee had placed the clothes there so she couldn't take them with her. (Tr. 34) On the trip to Portland she and Lee stopped at Vancouver, Washington, where she got out of the car and took the bus to Portland. She later met Lee at the home of Myrtle Barno. (Tr. 34) June Allen stayed in Portland one night and two days. She stayed with Lee that night and had intercourse with him. (Tr. 34) She visited her mother in Portland, but Lee did not accompany her. (Tr. 35) After this trip she came back to Seattle and practised prostitution at the same place, continuing to give Lee her earnings as a prostitute. (Tr. 47, 33)

In November, 1936, she had a conversation with Lee about her earnings. Being ill, she had called the doctor and had paid him. The next day she tucked

some of the money in the bed. June Allen gave Lee some money; he asked her where the rest was—told her she was lying and demanded that she tell where the rest was. She was not able to hold out the balance of the money. (Tr. 33) She gave Lee a combination cigar lighter and clock for Christmas in 1936, which she purchased at Bridges' jewelry store; (Tr. 34, 60) the same was found in Mr. Lee's room by Mr. D. S. Hostetter of the Federal Bureau of Investigation, on September 7th, 1938. (Tr. 69) Later she made a trip to Portland with Mrs. Green on Decoration Day, 1937, and returned to Seattle to practice prostitution. (Tr. 34, 35) This she did at the Green place at 919 Washington Street, in Seattle, until July 16th, 1937. (Tr. 31)

QUESTIONS

Appellant claims (a) that the evidence against the appellant was not sufficient upon which to base a conviction, and (b) that the Court erroneously instructed the jury.

ARGUMENT

THE EVIDENCE WAS SUFFICIENT UPON
WHICH TO BASE A CONVICTION FOR
CONSPIRACY TO VIOLATE THE WHITE
SLAVE TRAFFIC ACT.

The crime of conspiracy is a continuous offense and

is a different violation from the substantive offense. The period involved was from July 4th, 1936, to July 16th, 1937. (Tr. 3, 4) The prosecution does not have to prove that there was a specific agreement entered into by the parties to do the act charged; it is sufficient if it is shown that there was a concert of action with all the parties working together understandingly, with a single design for the accomplishment of the purpose. *Marino v. United States*, (C.C.A. 9) 91 F. (2d) 691; cert. denied 302 U.S. 764; *Stack v. United States*, (C.C.A. 9) 27 F. (2d) 16; *Pearlman v. United States*, (C.C.A. 9) 20 F. (2d) 113, cert. denied 275 U.S. 549. It is claimed that the appellant did not meet June Allen until August 4th, 1936, therefore he could not be held for any acts committed before that date, but Lee having entered the conspiracy at a later date and co-operating in the common effort assumed responsibility for all that had gone before even though he might not have originally conceived the plan. *Lefco v. United States*, (C.C.A. 3) 74 F. (2d) 66. Furthermore, when once a conspiracy is shown to exist, it continues to exist until there is some affirmative act of termination. *Hyde v. United States*, 225 U.S. 347; *United States v. Rollnick*, (C.C.A. 2) 91 F. (2d) 911, 918; *Coates v. United States*, (C.C.A. 9) 59 F. (2d) 173; *Marino v. United States*, *supra*.

The object of the conspiracy was to bring June

Allen to Seattle and to keep her in Seattle to work as a prostitute in order to supply a source of income to the defendants. The act of Lee, June Allen's "man" whom she supported with the proceeds of her trade, in hiding her clothes (Tr. 34), can only be reconciled with the fact that he wanted to make certain that she would return to 919 Washington Street, continue to work for Green and his wife, and support appellant. The transportation of June Allen to Portland by Lee is set forth as an overt act, not as a substantive offense (Tr. 7). An overt act in and of itself need not constitute a substantive offense. *Coates v. United States, supra*. But for the purpose of argument, defendant claims that June Allen had no immoral intent when she and Lee went to Portland. Her intent is immaterial. The intent of the defendant need only be considered. The fact is that he did not visit June Allen's mother in Portland, but he did stay with June Allen and had intercourse with her the night of their arrival in Portland. (Tr. 34. 35) *Aplin v. United States*, (C.C.A. 9) 41 F. (2d) 495, 496. We might further ask why she got out of Lee's car at Vancouver, Washington, near the Oregon line, and took a bus to Portland, Oregon, later meeting Lee there, if Lee did not have a guilty intent thinking he could thereby evade the provisions of the Mann Act (Sec. 398, Title 18, U.S.C.A.). (Tr. 34) After this trip June Allen

came back to Seattle, resumed the practice of prostitution at the same place and continued to give her earnings to the appellant. Now, what of the appellant's purpose; it is certainly clear from the evidence that he wanted to hold on to this woman as his source of income and continue his illicit relations with her. She lived with Lee before they went to Portland and gave him her earnings and supported him after she returned.

In *McDonald v. United States*, (C.C.A. 8) 89 F. (2d) 128, cert. denied 301 U.S. 697, rehearing denied 302 U.S. 773, an indictment was returned under Sec. 408c, Title 18, U.S.C.A., charging a conspiracy to violate the statute against transporting in interstate commerce a person who had been kidnaped (Sec. 408a, Title 18, U.S.C.A.). The appellant participated neither in the kidnaping nor in the transportation. He played no part in the conspiracy until seven months after the victim was released when he exchanged marked ransom money for unmarked money. The Court said in upholding the defendant's conviction:

"The cases of *Laska v. United States*, *supra*, and *Skelly v. United States*, *supra*, are wholly similar to the case at bar. There, as here, the indictment was under section 408c, title 18, U.C. C. (18 U.S.C.A. Sec. 408c), as it read prior to the amendment of January 24, 1936 (18 U.S.C.A. Sec. 408c-1); there, as here, the accused therein was not a party to the original conspiracy, but only

came into it after payment of the ransom and the release of the victim and took part in exchanging marked ransom money for unmarked money; and there, as here, the indictment was drawn so as to charge such fact aptly and to charge a continuing criminal conspiracy surviving till after the making of the exchange. Nothing is clearer than that the latter two cases are squarely in favor of the view that the conspiracy in the instant case had not ended, when in September, 1934, appellant committed the overt acts charged against him. For in each of those cases the precise contentions urged in the case at bar were urged by the appellants therein; but the court disallowed these contentions and held that a conspiracy under section 408c, supra. to violate the provisions of section 408a, supra, did not end till the marked money paid as ransom had been exchanged for unmarked money."

Laska v. United States, (C.C.A. 10) 82 F. (2d) 672, cert. denied 298 U.S. 689;

Skelly v. United States, (C.C.A. 10) 76 F. (2d) 483, cert. denied 295 U.S. 757.

June Allen was originally brought to Seattle for the purpose of commercial prostitution. She lived with Lee and gave him her earnings before their trip to Portland; she lived with him and had intercourse with him on their trip to Portland; she lived with him after she returned to Seattle and continued to give him the proceeds of her earnings at the Greens' house of prostitution at 919 Washington Street.

It appears from the foregoing that appellant's contention that the evidence was insufficient is without merit.

THE INSTRUCTIONS OF THE COURT
WERE NOT ERRONEOUS.

June Allen, on cross-examination, testified that she had been a witness in the case of United States vs. Proctor, another White Slave case in this district, admitting that in the Proctor trial she had not testified in Federal Court against anyone else, and that in fact, she had testified before the Grand Jury. In answer to the defense attorney's question that the statement in the Proctor case was false, the witness stated as follows: "Yes, and I might also say that I don't know the difference between those things." (Tr. 47, 48, 49) She again stated that she had testified before the Grand Jury. (Tr. 49) She admitted that she had testified falsely before the Commissioner in the Clark case. (Tr. 42, 43)

The matter to which the witness testified on cross-examination was on a collateral matter and not in connection with any testimony concerning the cause on trial. The general rule as cited in 16 *Corpus Juris*, at page 1012, is as follows:

"It is not error to instruct on the law as to the impeachment of witnesses in the absence of a proper request therefor or where there is not sufficient evidence of an impeaching character or where the impeaching testimony can be used only for that purpose and it has been held that a special instruction on such a subject is unnecessary

even where witnesses are impeached, particularly where the subject is sufficiently covered by other instructions.”

From the testimony it is not clear that the witness knowingly told an untruth in the Proctor case because she was asked whether or not she had testified in Federal Court before against anyone else; doubtless, if she had been specifically asked if she had testified before the Grand Jury she would have answered in the affirmative.

Appellant complains that the court refused to give a requested instruction based on *Sec. 1212, Remington's Compiled Statutes of Washington*. The fact is, assuming that this statute would apply, the court amply covered it with the following instruction inasmuch as the witness had not theretofore been convicted of the crime of perjury.

“You are instructed that no person offered as a witness should be excluded from giving evidence by reason of conviction of a crime, but such conviction may be shown to effect his credibility.”
(Tr. 123)

That the case cited by the defendant, *Speiller v. United States*, (C.C.A. 3), 31 F. (2d) 682, is not applicable in the instant cause, is self-evident from a reading thereof. It will be noted that the Court specifically refers to the particular facts in the *Speiller* case in arriving at its decision, and that the facts are

entirely different from the facts in the instant case. In addition, appellant did not make a specific request for an instruction such as he now claims should have been given. He cannot now be heard to complain.

Lonergan v. United States, (C.C.A. 9) 88 F. (2d), 591, 595, reversed on other grounds, 303 U.S. 33, reaffirmed 95 F. (2d) 642, cert. denied 304 U.S. 581;

Girson v. United States, (C.C.A. 9) 88 F. (2d), 358, cert. denied 301 U.S. 697.

Further, the court's instructions amply covered the subject.

"You are instructed that a witness who is a prostitute is competent to testify; that the showing that such witness is a prostitute is for the purpose of affecting the credibility to be given such witness, and the weight to be given her testimony." (Tr. 123)

"You are instructed that no person offered as a witness should be excluded from giving evidence by reason of conviction of a crime, but such conviction may be shown to effect his credibility." (Tr. 123)

"You are the sole and exclusive judges of the evidence and of the credibility of the several witnesses and of the weight to be attached to the testimony of each. In weighing the testimony of a witness you have a right to consider his demeanor upon the witness stand, his apparent fairness or lack of fairness, the apparent candor or lack of candor of such witness, the reasonableness or unreasonableness of the story such witness related, and the interest, if any, you may believe a witness feels in the result of the trial, and any other fact or circumstances arising from the evidence which

appeals to your judgment as in any way affecting the credibility of such witness, and to give to the testimony of the several witnesses just such degree of weight as in your judgment it is entitled to." (Tr. 127)

"You will be slow to believe that any witness has testified falsely in the case, but if you do, then you are at liberty to disregard the testimony of such witness entirely except insofar as same may be corroborated by other credible evidence in the case." (Tr. 127)

CONCLUSION

It is respectively urged that the lower Court committed no error in the instructions submitted to the jury, and that the evidence at the trial of the cause was sufficient upon which to base a conviction. The judgment should be affirmed.

Respectfully submitted,

J. CHARLES DENNIS,

United States Attorney.

F. A. PELLEGRINI,

GERALD SHUCKLIN,

*Assistant United States
Attorneys.*

Attorneys for Appellee.

No. 14923

In the United States
Circuit Court of Appeals
For the Ninth Circuit 14

JAMES W. MALONEY, Collector of Internal
Revenue of the United States for the District of
Oregon,

Appellant,

vs.

WESTERN COOPERAGE COMPANY, a cor-
poration,

Appellee.

Transcript of Record

Upon Appeal from the United States District Court
for the District of Oregon

Names and Addresses of Attorneys of Record:

CARL C. DONAUGH

United States Attorney for the
District of Oregon

J. MASON DILLARD

Assistant United States Attorney
U. S. Court House, Portland, Oregon
Attorneys for Appellant

CHARLES E. McCULLOCH

FLETCHER ROCKWOOD

CAREY, HART, SPENCER & McCULLOCH
Yeon Building, Portland, Oregon
Attorneys for Appellee

FILED

NOV 11 1938

PAUL P. DUNN,
CLERK

No.

In the United States
Circuit Court of Appeals
For the Ninth Circuit

•

JAMES W. MALONEY, Collector of Internal
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Attorneys for Appellant

CHARLES E. McCULLOCH

FLETCHER ROCKWOOD

CAREY, HART, SPENCER & McCULLOCH

Yeon Building, Portland, Oregon
Attorneys for Appellee

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IN THE DISTRICT COURT OF THE UNITED STATES FOR THE DISTRICT OF OREGON

November Term, 1936

BE IT REMEMBERED, That on the 14th day of November, 1936, there was duly filed in the District Court of the United States for the District of Oregon, a

COMPLAINT

in words and figures as follows, to wit:

**In the District Court of the United States
For the District of Oregon**

WESTERN COOPERAGE

COMPANY, a corporation,

Plaintiff,

vs.

JAMES W. MALONEY, Collector
of Internal Revenue of the United
States for the District of Oregon,
Defendant.

**No. L-12799
COMPLAINT**

Now comes plaintiff and makes this its complaint herein:

I.

This action is instituted under Subdivision (5) of Section 24 of the Judicial Code (U.S.C.A. 28:41(5)) to recover taxes on dividends paid by plaintiff in 1933 on

its common stock, erroneously and illegally assessed against and collected and withheld from plaintiff by defendant under an erroneous interpretation and application of the provisions of Section 213 of the National Industrial Recovery Act (48 St. L. 206-207).

II.

Plaintiff is and at all times herein mentioned has been a corporation organized and existing under the laws of the State of Oregon, with its principal office at American Bank Building, in the City of Portland, Oregon.

III.

Defendant is and at all times since July 17, 1933, has been the duly appointed, qualified and acting Collector of Internal Revenue of the United States for the District of Oregon.

IV.

On or about January 16, 1933, the Board of Directors of plaintiff, at the regular annual meeting of said Board, at which a quorum of said Board was present, duly adopted and passed a resolution, as follows:

"RESOLVED, that the Secretary and Treasurer of this Company be and he is hereby authorized, empowered and directed to pay monthly dividends of $\frac{1}{2}$ of 1% each month for the year 1933 whenever in his judgment there are moneys available to

pay the same and further that whenever in the judgment of said Secretary and Treasurer there are moneys available to increase the amount of said dividends for any month or months thereof, said Secretary and Treasurer is hereby authorized, empowered and directed to pay such additional dividends."

V.

Subsequent to June 16, 1933, the effective date of said Section 213, and prior to December 31, 1933, plaintiff, without any further declaration of dividends other than as made in said resolution of January 16, 1933, and in compliance with the terms of said resolution, paid dividends to holders of its common stock from time to time issued and outstanding, in total amounts as shown in the following tabulation:

Paid in month of 1933	Total divi- dend paid	Par value stock on which divi- dend paid	Per cent of dividend paid
June	\$ 14,883.00	\$2,976,600.00	0.5%
July	14,883.00	2,976,600.00	0.5%
August	14,883.00	2,976,600.00	0.5%
September	14,883.00	2,976,600.00	0.5%
October	14,883.00	2,976,600.00	0.5%
November	14,883.00	2,976,600.00	0.5%
December	29,766.00	2,976,600.00	1.0%
	<hr/>		
	\$119,064.00		4.0%
	<hr/>		<hr/>

VI.

Thereafter, and on or about December 26, 1935, defendant, under an erroneous interpretation and application of said Section 213, assessed against plaintiff additional taxes not theretofore paid by plaintiff, upon the basis of 5 per cent of dividend payments made by plaintiff on its common stock, as alleged in particular in paragraph V hereof. The additional taxes thus assessed by defendant, including interest to December 30, 1935, were as follows:

On dividends paid in month of 1933	Tax Assessed	Interest Assessed
June	\$ 744.15	\$ 199.53
July	744.15	192.09
August	744.15	184.75
September	744.15	177.21
October	744.15	169.87
November	744.15	162.33
December	1,488.30	309.79
	<hr/>	<hr/>
Total	\$5,953.20	\$1,395.57
	<hr/>	<hr/>
Total Taxes and Interest		\$7,348.77
		<hr/>

VII.

Thereafter, and on or about December 28, 1935, plaintiff paid to defendant, as Collector of Internal Revenue for the District of Oregon, said taxes and in-

terest so assessed in the total amount of \$7,348.77; but said payment was made under specific protest, which was made to defendant at the time of said payment, in form as follows:

“Payment of the above mentioned taxes is made under specific protest and duress and to avoid the seizure and sale of our property under warrant of distraint. It is our claim that the dividends in respect of which the above mentioned taxes are imposed were legally declared prior to the effective date of the taxing act, and that the assessment of these taxes against us is unlawful and improper. We shall hereafter file claim for refund of the taxes herewith paid.”

VIII.

Thereafter, and on or about February 21, 1936, and within the time allowed by law, plaintiff presented to and filed with the Commissioner of Internal Revenue its claim upon Form 843 of the United States Treasury Department, Internal Revenue Service, provided for said purpose, for refund of \$6,449.72, being a part of said \$7,348.77, taxes and interest so paid under protest as alleged in paragraph VII hereof. The said amount of \$6,449.72 was made up of (a) \$5,209.05, which is 5 per cent of all dividends paid by plaintiff on its common stock, as alleged in paragraph III hereof, not in excess of one half of one per cent, in any single month, of the par value of common stock outstanding in said month, and (b) \$1,240.67, interest as paid by plaintiff

on said sum of \$5,209.05. In particular said amount of \$6,449.72 included taxes and interest as assessed by defendant and as paid by plaintiff, as shown in the following table:

On dividends paid in month of 1933	Taxes Assessed and Paid	Interest Assessed and Paid
June	\$ 744.15	\$ 199.53
July	744.15	192.09
August	744.15	184.75
September	744.15	177.21
October	744.15	169.87
November	744.15	162.33
December	744.15	154.89
Total	<u>\$5,209.05</u>	<u>\$1,240.67</u>
Total Taxes and Interest		<u>\$6,449.72</u>

Thereafter, by letter dated March 27, 1936, addressed and mailed to plaintiff, the Deputy Commissioner of Internal Revenue advised plaintiff that said claim for refund would be disallowed. Thereafter, as required by law, by letter dated May 22, 1936, addressed to plaintiff at 1233 American Bank Building, Portland, Oregon, forwarded by registered United States mail, the Commissioner of Internal Revenue notified plaintiff that said claim for refund was disallowed or rejected.

X.

On January 16, 1933, plaintiff's earned surplus was \$800,416.81, and on March 1, 1913, plaintiff's earned surplus was \$173,100.48. The portion of earned surplus on January 16, 1933, accumulated subsequent to March 1, 1913, was \$627,316.33.

XI.

Total dividends paid by plaintiff during the calendar year 1933, subsequent to January 16, 1933, were as follows:

To holders of plaintiff's common stock	\$193,492.00
To holders of plaintiff's preferred stock	7,504.00
	<hr/>
Total	\$200,996.00

XII.

During the year 1933 plaintiff's earned surplus, available for dividends payable thereafter, as of the last day of certain months, was as shown in the following table:

As of last day of 1933	Earned Surplus
May	\$724,125.81
June	707,366.81
July	692,390.01
August	677,507.01
September	660,841.81

October	645,958.81
November	631,075.81
December	546,515.12

At all times during the year 1933 there was money available in plaintiff's treasury to pay dividends on its common stock in amounts not less than one half of one per cent per month on all outstanding common stock. At no time during the year 1933 was cash owned by plaintiff on deposit in solvent banks less than \$100,000.00.

WHEREFORE, plaintiff demands judgment against defendant for the sum of \$6,449.72, plus interest thereon from December 28, 1935, and for plaintiff's costs and disbursements herein.

CHARLES E. McCULLOCH
FLETCHER ROCKWOOD
CAREY, HART, SPENCER
& McCULLOCH

Attorneys for Plaintiff.

STATE OF OREGON,)
County of Multnomah.) ss.

I, LOUIS WOERNER, being first duly sworn, on oath depose and say: That I am the Secretary of WESTERN COOPERAGE COMPANY, the plaintiff

in the above entitled action; that I have read the foregoing complaint, know the contents thereof and the same is true as I verily believe.

LOUIS WOERNER

Subscribed and sworn to before me this 13th day of November, 1936.

A. H. MILLER

(NOTARIAL SEAL) Notary Public for Oregon.

My Commission Expires: November 11, 1939.

Filed November 14, 1936

G. H. Marsh, Clerk

By F. L. Buck, Chief Deputy.

AND AFTERWARDS, to wit, on the 2nd day of December, 1936, there was duly FILED in said court, an

ANSWER

in words and figures as follows, to wit:

COMES NOW the defendant above-named, through Carl C. Donough, United States Attorney for the District of Oregon, and J. Mason Dillard, Assistant United States Attorney, and in answer to the complaint heretofore filed in this cause admits, denies, and alleges as follows:

I

Referring to Paragraph I of said complaint, this defendant denies that the taxes mentioned were erroneously and illegally assessed against and collected and withheld from the plaintiff.

II

Referring to Paragraphs II and III of said complaint, this defendant admits the same and the whole thereof.

III

Referring to Paragraphs IV and V of said complaint, this defendant has no information upon which to form a belief and therefore denies the same.

IV

Referring to Paragraph VI of said complaint, this defendant admits each and every allegation therein contained, save and except that said taxes were assessed and collected under an erroneous interpretation of Section 213, National Industrial Recovery Act.

V

Referring to Paragraphs VII, VIII and IX of said complaint, defendant admits the same and the whole thereof.

VI

Referring to Paragraphs X, XI and XII, this defendant has no information upon which to form a belief and therefore denies the same and the whole thereof.

WHEREFORE, this defendant prays that the plaintiff take nothing by reason of its complaint and that this defendant have judgment for his costs and disbursements herein.

CARL C. DONAUGH

United States Attorney

for the District of Oregon

J. Mason Dillard

Assistant United States Attorney.

STATE OF OREGON,)
County of Multnomah.) ss.

I, James W. Maloney, being first duly sworn, depose and say: That I am Collector of Internal Revenue of the United States for the District of Oregon and defendant in the above-entitled action; that I have read the foregoing answer and know the contents thereof, and that the allegations therein contained are true as I verily believe.

James W. Maloney

Subscribed and sworn to before me this 28th day of
November, 1936.

C. W. Olsen

(SEAL)

Notary Public for Oregon

My commission expires: Aug. 11, 1939

UNITED STATES OF AMERICA,)
District of Oregon.) ss.

Service of the within ANSWER is accepted in the
State and District of Oregon this 2d day of December,
1936, by receiving a copy thereof, duly certified to as
such by J. Mason Dillard, Assistant United States At-
torney for the District of Oregon.

Fletcher Rockwood

P.C.

Of Attorneys for Plaintiff

Filed December 2, 1936

G. H. Marsh, Clerk.

By F. L. Buck, Chief Deputy.

AND AFTERWARDS, to wit, on the 19th day of
June, 1937, there was duly FILED in said court, a

STIPULATION

for trial without a jury in words and figures as follows,
to wit:

IT IS HEREBY STIPULATED by and between the parties hereto, through their respective attorneys, that the above entitled case shall be tried and determined by the Court without the intervention of a jury.

Charles E. McCulloch
Fletcher Rockwood
Carey, Hart, Spencer & McCulloch
Attorneys for Plaintiff.

J. Mason Dillard
Of Attorneys for Defendant.

Filed June 19, 1937

G. H. Marsh, Clerk.

By H. S. Kenyon, Deputy.

AND AFTERWARDS, to wit, on the 19th day of June, 1937, there was duly FILED in said court, a

STIPULATION OF FACTS

PLAINTIFF'S EXHIBIT 1

CLOYD RAUCH

Reporter

Case No. L-12799

in words and figures as follows, to wit:

Come now the plaintiff by Charles E. McCulloch, Fletcher Rockwood, and Carey, Hart, Spencer & Mc-

Culloch, its attorneys, and defendant by Carl C. Donough, United States Attorney for the District of Oregon, and J. Mason Dillard, Assistant United States Attorney for said District, and stipulate that the following facts may be taken as true at the trial or any subsequent trial hereof:

I.

Plaintiff is and at all times herein mentioned has been a corporation organized and existing under the laws of the State of Oregon, with its principal office at American Bank Building, in the City of Portland, Oregon.

II.

Defendant is and at all times since July 17, 1933, has been the duly appointed, qualified and acting Collector of Internal Revenue of the United States for the District of Oregon.

III.

On or about January 16, 1933, the Board of Directors of plaintiff, at the regular annual meeting of said Board, at which a quorum of said Board was present, duly adopted and passed a resolution, as follows:

“RESOLVED, that the Secretary and Treasurer of this Company be and he is hereby authorized, empowered and directed to pay monthly dividends of $\frac{1}{2}$ of 1% each month for the year 1933 when-

ever in his judgment there are moneys available to pay the same and further that whenever in the judgment of said Secretary and Treasurer there are moneys available to increase the amount of said dividends for any month or months thereof, said Secretary and Treasurer is hereby authorized, empowered and directed to pay such additional dividends."

IV.

The resolution of January 16, 1933, hereinbefore quoted, was identical in form and substance with resolutions adopted in previous years. Under those resolutions plaintiff had paid dividends amounting to one-half of one per cent each month on its common stock during the entire period from January, 1925, to the close of the year 1933.

V.

Subsequent to June 16, 1933, and prior to December 31, 1933, plaintiff, without a further resolution, paid dividends to holders of its common stock from time to time issued and outstanding in total amounts as shown in the following table:

Paid in month of 1933	Total divi- dend paid	Par value stock on which divi- dend paid	Per cent of dividend paid
June	\$ 14,883.00	\$2,976,600.00	0.5%
July	14,883.00	2,976,600.00	0.5%
August	14,883.00	2,976,600.00	0.5%

September	14,883.00	2,976,600.00	0.5%
October	14,883.00	2,976,600.00	0.5%
November	14,883.00	2,976,600.00	0.5%
December	29,766.00	2,976,600.00	1.0%
	<hr/>		<hr/>
	\$119,064.00		4.0%
	<hr/>		<hr/>

VI.

Thereafter, and on or about December 26, 1935, defendant, relying upon the provisions of Section 213 of the National Industrial Recovery Act of June 16, 1933, assessed against plaintiff additional taxes not theretofore paid by plaintiff on the basis of five per cent of dividend payments aggregating \$119,064.00 made by plaintiff on its common stock, as stated in particular in paragraph V hereof. The additional taxes thus assessed by defendant, including interest to December 30, 1935, were as follows:

On dividends paid in month of 1933	Tax Assessed	Interest Assessed
June	\$ 744.15	\$ 199.53
July	744.15	192.09
August	744.15	184.75
September	744.15	177.21
October	744.15	169.87
November	744.15	162.33
December	1,488.30	309.79
	<hr/>	<hr/>
Total	\$5,953.20	\$1,395.57

Total Taxes and Interest	\$7,348.77
--------------------------------	------------

VII.

Thereafter, and on or about December 28, 1935, plaintiff paid to defendant, as Collector of Internal Revenue for the District of Oregon, said taxes and interest so assessed in the total amount of \$7,348.77; but said payment was made under specific protest, which was made to defendant at the time of said payment, in form as follows:

“Payment of the above mentioned taxes is made under specific protest and duress and to avoid the seizure and sale of our property under warrant of distraint. It is our claim that the dividends in respect of which the above mentioned taxes are imposed were legally declared prior to the effective date of the taxing act, and that the assessment of these taxes against us is unlawful and improper. We shall hereafter file claim for refund of the taxes herewith paid.”

VIII

Thereafter, and on or about February 21, 1936, and within the time allowed by law, plaintiff presented to and filed with the Commissioner of Internal Revenue its claim upon Form 843 of the United States Treasury Department, Internal Revenue Service, provided for said purpose, for refund of \$6,449.72, being a part of said

\$7,348.77, taxes and interest so paid under protest as stated in paragraph VII hereof. The said amount of \$6,449.72 was made up of (a) \$5,209.05, which is 5 per cent of all dividends paid by plaintiff on its common stock, as stated in paragraph V hereof, not in excess of one-half of one per cent, in any single month, of the par value of common stock outstanding in said month, and (b) \$1,240.67, interest as paid by plaintiff on said sum of \$5,209.05. In particular said amount of \$6,449.72 included taxes and interest as assessed by defendant and as paid by plaintiff, as shown in the following table:

On dividends paid in month of 1933	Tax Assessed and Paid	Interest Assessed and Paid
June	\$ 744.15	\$ 199.53
July	744.15	192.09
August	744.15	184.75
September	744.15	177.21
October	744.15	169.87
November	744.15	162.33
December	744.15	154.89
	<hr/>	<hr/>
Total	\$5,209.05	\$1,240.67
	<hr/>	<hr/>
Total Taxes and Interest		\$6,449.72
		<hr/>

IX.

Thereafter, by letter dated March 27, 1936, ad-

dressed and mailed to plaintiff, the Deputy Commissioner of Internal Revenue advised plaintiff that said claim for refund would be disallowed. Thereafter, as required by law, by letter dated May 22, 1936, addressed to plaintiff at 1233 American Bank Building, Portland, Oregon, forwarded by registered United States mail, the Commissioner of Internal Revenue notified plaintiff that said claim for refund was disallowed or rejected.

X.

Total dividends paid by plaintiff during the calendar year 1933, subsequent to January 16, 1933, were as follows:

To holders of plaintiff's common stock	\$193,492.00
To holders of plaintiff's preferred stock	7,504.00
	<hr/>
Total	\$200,996.00

XI.

During the year 1933 plaintiff's earned surplus, available for dividends payable thereafter, as of the last day of certain months, was as shown in the following table:

As of last day of 1933	Earned Surplus
May	\$724,125.81
June	707,366.81

July	692,390.01
August	677,507.01
September	660,841.81
October	645,958.81
November	631,075.81
December	546,515.12

At all times during the year 1933 plaintiff had earnings and profits accumulated subsequent to February 28, 1913, in excess of \$300,000.00. At all times during the year 1933 there was money available in plaintiff's treasury to pay dividends on its common stock in amounts not less than one-half of one per cent per month on all outstanding common stock.

XII.

No part of said additional taxes amounting to \$5,209.05, or interest thereon amounting to \$1240.67, has been refunded to plaintiff.

It is further stipulated and agreed that this stipulation may be introduced by either of the parties hereto for the purpose of establishing the facts herein stipulated.

And this stipulation is solely for the purpose of establishing the facts stipulated, but both parties reserve the right to object to the reception in evidence of any fact herein recited upon the ground of lack of materiality.

Charles E. McCulloch

Fletcher Rockwood

Carey, Hart, Spencer & McCulloch

Attorneys for Plaintiff.

J. Mason Dillard

Of Attorneys for Defendant.

Filed June 19, 1937

G. H. Marsh, Clerk.

By H. S. Kenyon, Deputy.

**In the District Court of the United States
For the District of Oregon**

BE IT REMEMBERED, That on Monday, the 21st day of June, 1937, the same being the 85th Judicial day of the Regular March, 1937, Term of said Court, the following proceedings, among others, were had before the Honorable James Alger Fee, United States District Judge, for said District, to wit:

Western Cooperaage Company,

vs.

J. W. Maloney, Collector of Internal
Revenue of the United States.

} **No. L-12799**
} **June 21, 1937**

Now at this day comes the plaintiff by Mr. Charles E. McCulloch and Mr. Fletcher Rockwood, of counsel, and the defendant by Mr. J. Mason Dillard, Assistant

United States Attorney. Whereupon this cause comes on to be tried before the court without the intervention of a jury pursuant to the stipulation of the parties hereto on file herein, the evidence in this cause being submitted to the court on a stipulation of facts filed herein. Whereupon plaintiff moves the court for special findings and judgment in its favor, and the defendant moves the court for judgment in his favor, and the court having heard the arguments of counsel, will advise thereof. Upon motion of the respective parties hereto,

IT IS ORDERED that the plaintiff be and is hereby allowed one week from this date within which to file its brief, that the defendant be and he is hereby allowed thirty days thereafter within which to file his answering brief and that plaintiff be and is hereby allowed fifteen days thereafter within which to file its reply brief herein.

AND AFTERWARDS, to wit, on the 5th day of August, 1937, there was duly FILED in said Court,

DEFENDANT'S REQUEST

for findings of fact and conclusions of law in words and figures as follows, to wit:

Comes now the defendant by its attorney, Carl C.

Donaugh, United States Attorney in and for the District of Oregon, and at the close of all the evidence and before the decision of the Court, requests the Court to find the facts as stipulated by the parties. The defendant respectfully requests that the Court decide as conclusions of law the following:

I

That the tax sought to be recovered in this action was lawfully and legally assessed and collected.

II

That the resolution of January 16, 1933, did not create as a matter of law a debtor and creditor relationship between plaintiff corporation and its shareholders for the payment of a dividend or dividends.

III

That the complaint sets forth no facts which are sufficient to entitle plaintiff to recover in this action.

IV

That the Commissioner of Internal Revenue properly disallowed plaintiff's claim for refund.

V

That under the laws and the evidence the record does not contain any substantial evidence to support

findings of fact and conclusions of law and judgment in favor of plaintiff and against defendant.

VI

That on the pleadings, stipulation of facts and evidence in this case, the defendant is entitled to a judgment dismissing plaintiff's complaint at plaintiff's cost.

That in the event of the refusal of the Court to make any of these findings of fact and conclusions of law, it is respectfully requested that the defendant may be granted an exception or exceptions.

Respectfully submitted,

CARL C. DONAUGH,
United States Attorney.

J. Mason Dillard
Assistant United States Attorney.

UNITED STATES OF AMERICA,)
DISTRICT OF OREGON.) ss.

Service of the within REQUEST FOR FINDINGS is accepted in the State and District of Oregon this 4th day of August, 1937, by receiving a copy thereof, duly certified to as such by J. Mason Dillard, Assistant United States Attorney for the District of Oregon.

Fletcher Rockwood
Of Attorneys for Plaintiff

The within Findings of Fact and Conclusions of Law requested by defendant are refused and defendant is allowed an exception thereto.

Dated July 5, 1938.

Claude McCulloch

District Judge

Filed August 5, 1937

G. H. Marsh, Clerk.

By F. L. Buck, Chief Deputy.

AND AFTERWARDS, to wit, on the 23rd day of June, 1938, there was duly FILED in said Court,

TRANSCRIPT

of proceedings in words and figures as follows, to wit:

In the District Court of the United States

For the District of Oregon

WESTERN COOPERAGE

COMPANY, a corporation,

Plaintiff,

vs.

JAMES W. MALONEY, Collector

of Internal Revenue of the United

States for the District of Oregon,

Defendant.

No. L-12799

Portland, Oregon, June 21, 1937.

2:12 P. M.

BEFORE: Honorable James Alger Fee, Judge.

APPEARANCES:

Messrs. Carey, Hart, Spencer & McCulloch
(By Messrs. Fletcher Rockwood and
Charles E. McCulloch) Attorneys for
Plaintiff;

Mr. S. Mason Dillard, Assistant United
States Attorney, Attorney for the De-
fendant.

Cloyd Rauch, Court Reporter.

PROCEEDINGS

THE COURT: You may proceed.

MR. ROCKWOOD: I will make a very brief statement, Your Honor, what this case is about, Western Cooperage Company vs. Maloney, Collector. This is a case brought against the Collector of Internal Revenue to collect from him taxes assessed and collected by the Collector under Section 213 of the National Industrial Recovery Act. The Recovery Act imposed a five per cent excise tax on dividends of corporations, with the exception expressly stated in the act that the tax imposed by this section was not applied to dividends declared before the date of the enactment of this act. The act became effective on June 16th, 1933. The

dividends in question were paid by the Western Cooperage Company during the months of June, July, August, September, October, November and December of 1933. On January 16th, 1933, prior to the effective date of the act, the corporation adopted a resolution which reads as follows:

“RESOLVED, that the Secretary and Treasurer of this company be and he is hereby authorized, empowered and directed to pay monthly dividends of one-half of one per cent a month for the year 1933 whenever in his judgment there are moneys available to pay the same, and, further, that whenever in the judgment of the Secretary and Treasurer there are moneys available to increase the amount of said dividends for any month or months thereof said Secretary and Treasurer is hereby authorized, empowered and directed to pay such additional dividends.”

The dividends which were paid by the plaintiff during the months of June to December, 1933 were one-half of one per cent per month on its outstanding common stock, with the exception of the month of December, when a dividend of one per cent was paid. The additional tax was assessed at the rate of five per cent on the dividends as paid from June to December. The claim for refund asked for the refund of taxes paid on those divi-

dends which did not amount in excess of one-half of one per cent in any month, so that the claim for refund was for an amount slightly less than the additional taxes assessed.

In this suit we are seeking to recover the principal of the tax and interest thereon based on five per cent of one-half of one per cent per month of the common stock outstanding. The sole issue in this case, I believe, will be one of law, that is, whether the resolution of January 16th, 1933 constituted a declaration of a dividend prior to the effective date of the Recovery Act, which, as I say, became effective in June, 1933.

All of the facts in this case, with one exception, which I will want to comment on when we begin to make the record, have been stipulated with the attorney for the United States, so that there is no evidence to be received other than the stipulation and one additional matter on which I will stipulate orally with Mr. Dillard when we proceed after he makes a statement if he wishes to.

MR. DILLARD: If the Court please, we have nothing further to add to counsel's statement of the case. The position of the Government will be that that resolution as set forth in the complaint is insufficient as a declaration of dividends as contended by the plaintiff. We would like to offer—per-

half I can say at this time, before counsel finishes his statement, the stipulation of facts has been submitted to the Court, and since the drafting of that stipulation the Attorney General has communicated with our office and called our attention again to that matter, which we feel is perfectly clear upon the stipulation itself, but that is this, that the Attorney General has suggested that we should not stipulate anything that would be an admission that we considered the resolution sufficient. I believe it is perfectly plain from the stipulation itself, but this suggestion was made, and I would like to make the position of the Government clear in regard to it, that nothing stipulated in the written stipulation shall be considered as an admission by the defendant that the resolution of January 16, 1933 was sufficient as a declaration of dividends.

MR. ROCKWOOD: Well, if Your Honor please, that is quite satisfactory to me, that the stipulation as signed by the Government may be so construed, that it does not constitute an admission by the Government of that which I believe is a conclusion of law.

May I have, Mr. Clerk, the original of the stipulation, so that I may offer it in evidence at this time. If Your Honor please, I offer in evidence the document which is marked as filed in the office

of this Clerk on June 19, 1937, entitled "Stipulation of Facts".

THE COURT: No objection on the part of the government? The stipulation is admitted.

(The stipulation referred to, so offered and received, was thereupon marked received as PLAINTIFF'S EXHIBIT 1.)

MR. ROCKWOOD: Now, if Your Honor please, Mr. Dillard has agreed with me that it may be stipulated orally that the plaintiff's outstanding common stock remained constant during the entire calendar year 1933 in the amount of \$2,976,600. There is no objection to that stipulation, is there?

MR. DILLARD: No objection.

MR. ROCKWOOD: With that the plaintiff rests.

MR. DILLARD: And we would like the record to show, if Your Honor please, a motion for Judgment on behalf of the defendant.

MR. ROCKWOOD: If Your Honor please, the plaintiff moves the Court for special findings of fact in accordance with the facts as contained in the stipulation of facts offered in evidence, supplemented with the fact as stated in the oral stipulation just made with counsel.

Plaintiff also moves for a judgment in its favor, upon the ground that the entire record will support no judgment other than a judgment in favor of the plaintiff as prayed for in its complaint.

Now, if Your Honor please, I am prepared to argue this matter orally if your Honor wishes to hear me. If you prefer, I will present my argument in a written memorandum, which I will be able to file within a week,—whichever you prefer.

THE COURT: I would prefer that it be submitted on written memoranda from your side and from the Government's, and then subsequently if I feel that there is necessity for oral argument I will have it.

MR. ROCKWOOD: Very well, I will have mine served on counsel and filed within a week, if that is satisfactory.

THE COURT: How much time will you want?

MR. DILLARD: Well, in these cases, Your Honor, the Attorney General takes part, generally, in preparation of memoranda of this kind, so that after the filing of the plaintiff's memorandum I would like to ask for as much as thirty days for our answering memorandum.

MR. ROCKWOOD: That is satisfactory. And

may I have fifteen days to reply to the Government's memorandum?

THE COURT: Yes. Anything further?

MR. ROCKWOOD: That concludes it.

THE COURT: The Court will take the case under advisement. The Court is now adjourned until tomorrow morning at ten o'clock.

(Whereupon, at 2:25 o'clock P. M., June 21, 1937, oral proceedings in the above entitled matter were concluded, the Court taking the case under advisement.)

CERTIFICATE

UNITED STATES OF AMERICA	}	ss.
State of Oregon,		
County of Multnomah.		

I, Cloyd Rauch, hereby certify that I reported in shorthand the proceedings had at the trial of the above entitled cause on June 21, 1937, that I subsequently reduced my said shorthand notes to typewriting, and that the foregoing and hereto attached 5 pages of typewritten matter, numbered from 2 to 6, both inclusive, constituted a full, true and accurate transcript of said proceedings, so taken by me in shorthand as aforesaid, and of the whole thereof.

Dated at Portland, Oregon, this 21st day of June, 1938.

Cloyd Rauch
Reporter

Filed June 23, 1938.

G. H. Marsh, Clerk.

By F. L. Buck, Chief Deputy.

AND AFTERWARDS, to wit, on the 23rd day of June, 1938 there was duly FILED in said Court, a

STIPULATION

in words and figures as follows, to wit:

It is hereby STIPULATED by and between the parties hereto through their respective attorneys of record as follows:—

On June 21, 1937, this cause came on for trial before the Honorable James Alger Fee, one of the judges of the above entitled court. At that time proceedings were had as set forth in "Transcript of Proceedings", certified by Cloyd Rauch, reporter, hereto attached and by this reference made a part of this stipulation.

Thereafter, the Honorable James Alger Fee referred this cause for disposition to the Honorable Claude McColloch, one of the judges of the above entitled court.

On June 22, 1938, the parties hereto appeared be-

fore the Honorable Claude McColloch by and through their attorneys of record and stipulated orally in open court that the matter should be considered and disposed of by the Honorable Claude McColloch as though proceedings were had on June 22, 1938, before the Honorable Claude McColloch precisely the same as those which were had on June 21, 1937, before the Honorable James Alger Fee, as set forth in said Transcript of Proceedings, which was at that time presented to the Honorable Claude McColloch; and in particular, at said time and place stipulated orally that the motion for judgment in its favor made by plaintiff and the motion for special findings of fact made by plaintiff as set forth in said Transcript of Proceedings were both specifically made and renewed to the Honorable Claude McColloch, and further, that the motion for judgment for defendant made by defendant as set forth in said Transcript of Proceedings was made and renewed to the Honorable Claude McColloch.

It was further stipulated orally that the parties should reduce to written form the oral stipulation made in open court at said time and place before the Honorable Claude McColloch and this written stipulation is specifically for the purpose of reducing to writing and making a matter of record the oral stipulation as made in open court at said time and place before the Honorable Claude McColloch.

Charles E. McColloch

Fletcher Rockwood

Carey, Hart, Spencer & McColloch

Attorneys for Plaintiff

J. Mason Dillard

Attorney for Defendant

Filed June 23, 1938

G. H. Marsh, Clerk.

By F. L. Buck, Chief Deputy.

In the District Court of the United States

For the District of Oregon

BE IT REMEMBERED, That on Tuesday, the 5th day of July, 1938 the same being the 2nd Judicial day of the Regular July 1938 Term of said Court, the following proceedings, among others, were had before the Honorable Claude McColloch, United States District Judge, for said District, to wit:

FINDINGS OF FACT AND

CONCLUSIONS OF LAW

The above entitled cause came on for trial before the court without the intervention of a jury, the parties hereto having signed and filed prior to the date of trial, a written stipulation that the action be tried before the court without a jury, and the parties having by said stipulation so filed, waived a jury. Plaintiff appeared

by Charles E. McCulloch, Fletcher Rockwood and Messrs. Carey, Hart, Spencer and McCulloch, its attorneys, and defendant appeared by Carl C. Donough, United States attorney, and S. Mason Dillard, Assistant United States attorney, his attorneys. The court having heard the testimony offered, and having considered the briefs filed on behalf of the respective parties, and having heard oral argument, makes the following:

FINDINGS OF FACT

I.

Plaintiff is and at all times herein mentioned has been a corporation organized and existing under the laws of the State of Oregon, with its principal office at American Bank Building, in the City of Portland, Oregon.

II.

Defendant is and at all times since July 17, 1933, has been the duly appointed, qualified and acting Collector of Internal Revenue of the United States for the District of Oregon.

III.

On or about January 16, 1933, the Board of Directors of plaintiff, at the regular annual meeting of said Board, at which a quorum of said Board was present,

duly adopted and passed a resolution, as follows:

“Resolved, that the Secretary and Treasurer of this Company be and he is hereby authorized, empowered and directed to pay monthly dividends of $\frac{1}{2}$ of 1% each month for the year 1933 whenever in his judgment there are moneys available to pay the same and further that whenever in the judgment of said Secretary and Treasurer there are moneys available to increase the amount of said dividends for any month or months thereof, said Secretary and Treasurer is hereby authorized, empowered and directed to pay such additional dividends.”

IV.

The resolution of January 16, 1933, hereinbefore quoted, was identical in form and substance with resolutions adopted in previous years. Under those resolutions plaintiff had paid dividends amounting to one-half of one per cent each month on its common stock during the entire period from January, 1925, to the close of the year 1933.

V.

Subsequent to June 16, 1933, and prior to December 31, 1933, plaintiff, without a further resolution, paid dividends to holders of its common stock from time to time issued and outstanding in total amounts as shown in the following table:

Paid in month of	Total divi- dend paid	Par value stock on which divi- dend paid	Per cent of dividend paid
1933			
June	\$ 14,883.00	\$2,976,600.00	0.5%
July	14,883.00	2,976,600.00	0.5
August	14,883.00	2,976,600.00	0.5
September ..	14,883.00	2,976,600.00	0.5
October	14,883.00	2,976,600.00	0.5
November ..	14,883.00	2,976,600.00	0.5
December ..	29,766.00	2,976,600.00	1.0
	\$119,064.00		4.0%

VI.

Thereafter, and on or about December 26, 1935, defendant, relying upon the provisions of Section 213 of the National Industrial Recovery Act of June 16, 1933, assessed against plaintiff additional taxes not theretofore paid by plaintiff on the basis of five per cent of dividend payments aggregating \$119,064.00 made by plaintiff on its common stock, as stated in particular in paragraph V hereof. The additional taxes thus assessed by defendant, including interest to December 30, 1935, were as follows:

On dividends paid in month of	Tax Assessed	Interest Assessed
1933		
June	\$ 744.15	\$ 199.53
July	744.15	192.09
August	744.15	184.75
September	744.15	177.21
October	744.15	169.87
November	744.15	162.33
December	1,488.30	309.79
	<hr/>	<hr/>
Total	\$5,953.20	\$1395.57
	<hr/>	<hr/>
Total Taxes and Interest.....		<u><u>\$7,348.77</u></u>

VII.

Thereafter, and on or about December 28, 1935, plaintiff paid to defendant, as Collector of Internal Revenue for the District of Oregon, said taxes and interest so assessed in the total amount of \$7,348.77; but said payment was made under specific protest, which was made to defendant at the time of said payment, in form as follows:

“Payment of the above mentioned taxes is made under specific protest and duress and to avoid the seizure and sale of our property under warrant of distraint. It is our claim that the dividends in respect of which the above mentioned taxes are imposed were legally declared prior to the effective date of the taxing act, and that the assessment of

these taxes against us is unlawful and improper. We shall hereafter file claim for refund of the taxes herewith paid.”

VIII.

Thereafter, and on or about February 21, 1936, and within the time allowed by law, plaintiff presented to and filed with the Commissioner of Internal Revenue its claim upon Form 843 of the United States Treasury Department, Internal Revenue Service, provided for said purpose, for refund of \$6,449.72, being a part of said \$7,348.77, taxes and interest so paid under protest as stated in paragraph VII hereof. The said amount of \$6,449.72 was made up of (a) \$5,209.05, which is 5 per cent of all dividends paid by plaintiff on its common stock, as stated in paragraph V hereof, not in excess of one-half of one per cent, in any single month, of the par value of common stock outstanding in said month, and (b) \$1,240.67, interest as paid by plaintiff on said sum of \$5,209.05. In particular said amount of \$6,449.72 included taxes and interest as assessed by defendant and as paid by plaintiff, as shown in the following table:

On dividends paid in month of	Taxes Assessed and Paid	Interest Assessed and Paid
1933		
June	\$ 744.15	\$ 199.53
July	744.15	192.09
August	744.15	184.75
September	744.15	177.21
October	744.15	169.87
November	744.15	162.33
December	744.15	154.89
	<hr/>	<hr/>
Total	\$5,209.05	\$1,240.67
	<hr/>	<hr/>
Total Taxes and Interest.....		<u><u>\$6,449.72</u></u>

IX.

Thereafter, by letter dated March 27, 1936, addressed and mailed to plaintiff, the Deputy Commissioner of Internal Revenue advised plaintiff that said claim for refund would be disallowed. Thereafter, as required by law, by letter dated May 22, 1936, addressed to plaintiff at 1233 American Bank Building, Portland, Oregon, forwarded by registered United States mail, the Commissioner of Internal Revenue notified plaintiff that said claim for refund was disallowed or rejected.

X.

Total dividends paid by plaintiff during the cal-

endar year 1933, subsequent to January 16, 1933, were as follows:

To holders of plaintiff's common stock	\$193,492.00
To holders of plaintiff's preferred stock	7,504.00
	<hr/>
Total.....	\$200,996.00

XI.

During the year 1933 plaintiff's earned surplus, available for dividends payable thereafter, as of the last day of certain months, was as shown in the following table:

As of last day of	Earned Surplus
1933	
May	\$ 724,125.81
June	707,366.81
July	692,390.01
August	677,507.01
September	660,841.81
October	645,958.81
November	631,075.81
December	546,515.12

At all times during the year 1933 plaintiff had earnings and profits accumulated subsequent to February 28, 1913, in excess of \$300,000.00. At all times during the year 1933, there was money available in plaintiff's treasury to pay dividends on its common stock in amounts

not less than one-half of one per cent per month on all outstanding common stock.

XII.

During the entire calendar year 1933, plaintiff's outstanding common stock remained constant in the amount of \$2,976,600.00 par value.

XIII.

No part of said additional taxes amounting to \$5,209.05, or interest thereon amounting to \$1240.67, has been refunded to plaintiff.

Based on the foregoing findings of fact, the court makes the following:

CONCLUSIONS OF LAW

I.

The tax and interest thereon sought to be recovered in this action was unlawfully and irregularly assessed and collected.

II.

The resolution of January 16, 1933, was a valid declaration of a dividend within the meaning of Section 213 of the National Industrial Recovery Act of June 16, 1933, and created a debtor and creditor relationship between plaintiff and its stockholders for the

payment of a dividend to the amount of one-half of one per cent per annum throughout the calendar year 1933, including the months of June to December, inclusive, of that year.

III.

The Commissioner of Internal Revenue improperly disallowed plaintiff's claim for refund.

IV.

On the pleadings and evidence in this case, plaintiff is entitled to judgment against defendant in the sum of \$6,449.72, together with interest thereon at six per cent per annum from December 28, 1935.

V.

There was probable cause for the collection by defendant of the above mentioned tax and interest thereon, and in making such collection defendant acted under the directions of the Commissioner of Internal Revenue of the United States.

To which conclusions of law the defendant excepts and exception is allowed.

Dated: July 5th, 1938.

Claude McColloch
District Judge

STATE OF OREGON,)
County of Multnomah.) ss.

Due service of the within Findings of Fact and Conclusions of Law is hereby accepted at Portland, Oregon, this day of July, 1938 by receiving a copy thereof, duly certified to as such by Fletcher Rockwood of attorneys for Plaintiff.

J Mason Dillard
Of Attorneys for Defendant

Filed July 5, 1938
G. H. Marsh, Clerk.
R. DeMott, Deputy.

**In the District Court of the United States
For the District of Oregon**

BE IT REMEMBERED, That on Tuesday, the 5th day of July, 1938, the same being the 2nd Judicial day of the Regular July, 1938 Term of said Court, the following proceedings, among others, were had before the Honorable Claude McColloch, United States District Judge, for said District, to wit:

JUDGMENT

The above entitled action having been duly tried and findings of fact and conclusions of law having been duly made and entered determining that plaintiff is en-

titled to judgment against defendant in the sum of \$6,449.72, with interest thereon at six per cent per annum from December 28, 1935,

It is ORDERED AND ADJUDGED that plaintiff have and recover from defendant the sum of \$6,449.72, together with interest thereon at six per cent per annum from December 28, 1935.

Dated: July 5th, 1938.

Claude McColloch

District Judge

STATE OF OREGON,)
County of Multnomah.) ss.

Due service of the within Judgment is hereby accepted at Portland, Oregon, this day of July, 1938 by receiving a copy thereof, duly certified to as such by Fletcher Rockwood of attorneys for Plaintiff.

J Mason Dillard

Attorney for Defendant

Filed July 5, 1938

G. H. Marsh, Clerk.

By R. DeMott, Clerk.

AND AFTERWARDS, to wit, on the 4th day of October, 1938, there was duly FILED in said Court, a

NOTICE OF APPEAL

in words and figures as follows, to wit:

To the above-named plaintiff, Western Cooperage Company, and his attorneys, Carey, Hart, Spencer and McCulloch and Fletcher Rockwood:

YOU AND EACH OF YOU will take notice that the defendant, James W. Maloney, Collector of Internal Revenue of the United States for the District of Oregon, appeals to the United States Circuit Court of Appeals for the Ninth Circuit from that certain judgment made and entered in the above-entitled cause and court and signed by the Honorable Claude McCulloch, one of the judges of said District Court, on the 8th day of June, 1938, which judgment is to the effect that the plaintiff shall have and recover from the defendant the sum of \$6,449.72, together with interest thereon at six per cent per annum from December 28, 1935, and costs and disbursements taxed in the sum of \$20.00, and the defendant appeals from the whole of said judgment.

Dated this 4th day of October, 1938.

CARL C. DONAUGH

United States Attorney for
the District of Oregon

J. Mason Dillard

Assistant United States Attorney

Filed October 4, 1938

G. H. Marsh, Clerk.

AND AFTERWARDS, to wit, on the 25th day of October, 1938, there was duly FILED in said Court, a

PRAECIPE

for transcript in words and figures as follows, to wit:
TO G. H. MARSH, Clerk of the District Court of the United States for the District of Oregon:

You will please prepare and certify the transcript of record in the above-entitled cause, to consist of the following:

Complaint

Answer

Stipulation for Trial Without a Jury

Stipulation of Facts

Order of June 21, 1937

Stipulation filed June 23, 1938

Transcript of Evidence

Defendant's Request for Findings of Fact and
Conclusions of Law (Filed August 5, 1937)

Findings of Fact and Conclusions of Law

Judgment

Notice of Appeal

Praecipe for Transcript

Dated this 24th day of October, 1938.

CARL C. DONAUGH

United States Attorney for
the District of Oregon

J. Mason Dillard
Assistant United States Attorney

UNITED STATES OF AMERICA, }
District of Oregon. } ss.

Service of the within PRAECIPE FOR TRANSCRIPT is accepted in the State and District of Oregon this 24th day of October, 1938, by receiving a copy thereof, duly certified to as such by J. Mason Dillard, Assistant United States Attorney for the District of Oregon.

Carey, Hart Spencer & McCulloch
Of Attorneys for Plaintiff

Filed October 25, 1938

G. H. Marsh, Clerk.

By F. L. Buck, Chief Deputy.

In the United States
Circuit Court of Appeals
for the Ninth Circuit 15

JAMES W. MALONEY, Collector of Internal Revenue
of the United States for the District
of Oregon, APPELLANT

v.

WESTERN COOPERAGE COMPANY, a corporation,
APPELLEE

ON APPEAL FROM THE DISTRICT COURT OF THE UNITED
STATES FOR THE DISTRICT OF OREGON

BRIEF FOR THE APPELLANT

JAMES W. MORRIS,
Assistant Attorney General
SEWALL KEY,
JAMES P. GARLAND,
*Special Assistants to the
Attorney General*

CARL C. DONAUGH,
United States Attorney.

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PAUL B. O'BRIEN

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In the United States
Circuit Court of Appeals
for the Ninth Circuit

No. 9032

JAMES W. MALONEY, Collector of Internal Revenue
of the United States for the District
of Oregon, APPELLANT

v.

WESTERN COOPERAGE COMPANY, a corporation,
APPELLEE

*ON APPEAL FROM THE DISTRICT COURT OF THE UNITED
STATES FOR THE DISTRICT OF OREGON*

BRIEF FOR THE APPELLANT

OPINION BELOW

The findings of fact and conclusions of law (R. 35-44) are not reported.

JURISDICTION

This appeal involves a claim for refund of Federal excise taxes paid on the receipt of dividends dur-

ing the period from June 16, 1933, to December 31, 1933. Judgment was rendered in favor of appellee on July 5, 1938, for the sum of \$6,449.72 with interest, from which decision defendant below appealed on October 4, 1938. (R. 45-47.)

The jurisdiction of this Court is invoked by virtue of the provisions of Section 128 (a) of the Judicial Code, as amended by the Act of February 13, 1925.

QUESTION PRESENTED

Whether a resolution adopted by the board of directors of taxpayer corporation constituted an enforceable declaration of dividends as of a date prior to the enactment of the taxing statute.

STATUTE AND OTHER AUTHORITY INVOLVED

National Industrial Recovery Act, c. 90, 48 Stat. 195:

SEC. 213. (a) There is hereby imposed upon the receipt of dividends (required to be included in the gross income of the recipient under the provisions of the Revenue Act of 1932) by any person other than a domestic corporation, an excise tax equal to 5 per centum of the amount thereof, such tax to be deducted and withheld from such dividends by the payor corporation. The tax imposed by this section shall not apply to dividends declared before the date of the enactment of this Act.

(b) Every corporation required to deduct

and withhold any tax under this section shall, on or before the last day of the month following the payment of the dividend, make return thereof and pay the tax to the collector of the district in which its principal place of business is located, or, if it has no principal place of business in the United States, to the collector at Baltimore, Maryland.

(c) Every such corporation is hereby made liable for such tax and is hereby indemnified against the claims and demands of any person for the amount of any payment made in accordance with the provisions of this section.

* * * *

I.T. 2744, XII-2 Cumulative Bulletin 402:

* * * *

Following the established rule of construction, the expression "dividends declared" as used in the statute is to be construed and applied according to its accepted legal meaning. Stated briefly, the declaration of a dividend by the board of directors of a corporation has the legal effect of creating the relationship of debtor and creditor between the corporation and the stockholder, and the rights of the stockholder as such creditor become immediately vested regardless of the fact that the dividend may be payable at some future time. In order for a dividend to be

fully "declared" within the meaning of the statute the action taken by the board of directors must be such as to create the relationship of debtor and creditor between the corporation and the stockholder, and the debt so created must be a legal and enforceable debt which is definite, final, and irrevocable. A dividend so declared of course effects an appropriation of surplus to the payment of the debt thereby created.

* * * *

STATEMENT

This is an action brought in the District Court of the United States for the District of Oregon, against the Collector of Internal Revenue, for the recovery of Federal excise taxes assessed and collected under Section 213 of the National Industrial Recovery Act. The case was tried before the court sitting without jury, jury having been waived by stipulation. (R. 12-13.) The facts were stipulated. (R. 13-21.) The District Court made special findings of fact and conclusions of law (R. 35-44), and gave judgment for taxpayer in the sum of \$6,449.72, together with interest from December 28, 1935, from which judgment Collector has appealed to this Court (R. 45-47).

The court below found the facts as stipulated. The findings may be summarized as follows:

Plaintiff below, hereinafter referred to as taxpayer, is a corporation organized under the laws of

the State of Oregon with its principal place of business in the City of Portland. (R. 36.) On or about January 16, 1933, taxpayer's board of directors at their annual meeting adopted and passed a resolution as follows (R. 37):

RESOLVED, that the Secretary and Treasurer of this Company be and he is hereby authorized, empowered and directed to pay monthly dividends of $\frac{1}{2}$ of 1% each month for the year 1933 whenever in his judgment there are moneys available to pay the same and further that whenever in the judgment of said Secretary and Treasurer there are moneys available to increase the amount of said dividends for any month or months thereof, said Secretary and Treasurer is hereby authorized, empowered and directed to pay such additional dividends.

Taxpayer paid dividends to the holders of its common stock subsequent to June 16, 1933, and prior to December 31, 1933, as follows (R. 37-38):

Paid in month of 1933	Total dividend paid	Par value stock on which dividend paid	Per cent of dividend paid
June	\$ 14,883.00	\$2,976,600.00	0.5%
July	14,883.00	2,976,600.00	0.5%
August	14,883.00	2,976,600.00	0.5%
September..	14,883.00	2,976,600.00	0.5%
October	14,883.00	2,976,600.00	0.5%
November ..	14,883.00	2,976,600.00	0.5%
December..	29,766.00	2,976,600.00	1.0%
	<hr/>		
	\$119,064.00		4.0%

An excise tax of 5 per cent of the dividends, aggregating \$119,064, was assessed, with interest to December 30, 1935, and paid by the taxpayer on December 28, 1935. (R. 38, 39.)

A claim for refund in the amount of \$6,449.72 was filed February 21, 1936 (R. 40), and disallowed May 22, 1936 (R. 41). The taxes and interest paid amounted to \$7,348.77. (R. 40.) The difference between the amount claimed and the amount paid represents the tax on one-half the dividends paid in December, 1933, being the dividends referred to in the last portion of the resolution of January 16, 1933. (R. 40, 41.)

The court below likewise found that (R. 42-43):

During the year 1933 plaintiff's earned surplus, available for dividends payable thereafter, as of the last day of certain months, was as shown in the following table:

As of the last day of 1933	Earned Surplus
May	\$ 724,125.81
June	707,366.81
July	692,390.01
August	677,507.01
September	660,841.81
October	645,958.81
November	631,075.81
December	546,515.12

At all times during the year 1933 plaintiff had earnings and profits accumulated subsequent to

February 28, 1913, in excess of \$300,000.00. At all times during the year 1933, there was money available in plaintiff's treasury to pay dividends on its common stock in amounts not less than one-half of one per cent per month on all outstanding common stock.

The court below concluded that the resolution of January 16, 1933, created a debtor and creditor relationship by and between taxpayer and its stockholders for the payment of the dividends taxed. (R. 43-44.)

SPECIFICATION OF ERRORS TO BE URGED

1. The court erred in rendering and entering its decision and judgment in favor of appellee and against appellant for the reason that the judgment is contrary to the law and is not supported by the facts as found by the court.

2. The court erred as a matter of law in concluding that the resolution of January 16, 1933, created a debtor and creditor relationship between the taxpayer and its stockholders for the payment of dividends of $\frac{1}{2}$ of 1 per cent each month for the year 1933.

SUMMARY OF ARGUMENT

The resolution of January 16, 1933, did not constitute a declaration of dividends within the intentment of Section 213 of the National Industrial Recovery Act for the reason that the resolution did not cre-

ate a debt of the corporation in favor of the stockholders. The payment of the dividends taxed was left entirely to the discretion of the secretary and treasurer of the company. The resolution of January 16, 1933, merely permitted payment of the dividends and was not an irrevocable declaration as required by the clear intent of the statute.

ARGUMENT

THE RESOLUTION DID NOT CONSTITUTE A DECLARATION OF DIVIDENDS SUCH AS IS CONTEMPLATED BY SECTION 213 OF THE NATIONAL INDUSTRIAL RECOVERY ACT.

The National Industrial Recovery Act was approved and became effective June 16, 1933. Section 213 (a) thereof provides for an excise tax of 5 per cent upon the receipt of dividends by any person other than a domestic corporation. This section likewise provides that the "tax imposed by this section shall not apply to dividends declared before the date of the enactment of this Act."

The dividends taxed were paid after June 16, 1933, and prior to December 31, 1933, and are clearly taxable unless the resolution of January 16, 1933, is a declaration of dividends within the meaning of the exempting portion of the Act.

The Bureau of Internal Revenue has ruled, I.T. 2744, XII-2 Cumulative Bulletin 402, that (p. 403):

In order for a dividend to be fully "declared" within the meaning of the statute the action taken by the board of directors must be such as to create the relationship of debtor and creditor between the corporation and the stockholder, and the debt so created must be a legal and enforceable debt which is definite, final, and irrevocable. A dividend so declared of course effects an appropriation of surplus to the payment of the debt thereby created.

The court below found that the resolution of January 16, 1933, created an enforceable debt in favor of the shareholders and against the corporation. The wording of the resolution does not support this conclusion. The resolution contains the following (R. 37):

RESOLVED, that the Secretary and Treasurer of this Company be and he is hereby authorized, empowered and directed to pay monthly dividends of $1/2$ of 1% each month for the year 1933 *whenever in his judgment there are moneys available to pay the same * * ** (Italics supplied.)

The italicized words above constitute an expressed reservation. The question of the availability of funds is left to the sole judgment and discretion of the secretary and treasurer. It is not enough that the books reflect earned surplus. The designated officer of the corporation is empowered to determine whether any

portion of the surplus is "available" for dividend payments. If he decided that the earned surplus should be retained or used for purposes other than the payment of dividends, the stockholders could not be heard to complain. Should the stockholders bring suit against the corporation to enforce the payment of the dividends, the corporation could successfully defend by pointing to the reservation contained in the resolution.

The dividends in this case constituted merely a division of profits among the stockholders equivalent to a constructive dividend declared as of the date of payment. *Smith v. Moore*, 199 Fed. 689 (C.C.A. 9th); *Spencer v. Lowe*, 198 Fed. 961 (C.C.A. 8th).

In *United States v. Murine Co.*, 90 F. (2d) 549 (C.C.A. 7th), certiorari denied, 302 U.S. 734, the court held that the resolution there relied upon as a declaration of dividends did not come within the exempting portion of Section 213, *supra*, for the reason that the resolution contained a qualifying clause negating any debtor and creditor relationship. The resolution in that case contained the following (p. 559):

* * * and that in the event, in his {treasurer} judgment, the condition of the treasury * * * shall not warrant the payment of such dividends, he may omit the same * * *.

In *Carney v. Crocker*, 94 F. (2d) 914 (C.C.A.

1st), the court arrived at the same decision. In that case the resolution relied upon contained the following (p. 915):

* * * subject to the approval of the President and Treasurer and Assistant Treasurers.

This Court in *United States v. Southwestern Portland Cement Co.*, 97 F. (2d) 413, considered the same question and decided that a resolution containing the words "unless otherwise ordered by the Board of Directors" was not a sufficient declaration within the exempting portion of the Act. See also *Alexander & Alexander, Inc. v. United States*, 22 F. Supp. 921 (Md.), and *Lockhart Iron & Steel Co. v. O'Toole*, 22 F. Supp. 919 (W.D.Pa.).

The case of *Evening Star Newspaper Co. v. United States*, 16 F. Supp. 1020 (C.Cls.), is not controlling in the instant case for the reason that there the president was delegated the power to declare dividends. In January, 1933, the president announced that dividends would be paid, which action was approved by the board of directors on May 1, 1933, thus establishing the debtor and creditor relationship between the corporation and its shareholders prior to June 16, 1933, the effective date of the Act.

The United States Court of Claims decided adversely to the Government in *Alabama Pipe Co. v. United States*, 21 F. Supp. 173. The resolution involved in that case more closely resembled the one in

the instant case. However, the resolution was adopted in February, 1932, calling for a dividend in the amount of \$145,974. Prior to June 16, 1933, \$114,856.80 of the dividend had been paid. It was only the small remaining portion of the dividend, paid after the effective date of the Act, which was sought to be taxed. Those circumstances are not present in the instant case and appellee here can not say that it might be estopped from testing the validity of the resolution in a suit by a stockholder where most of the dividend had already been paid to the shareholders.

The case of *United States v. Southwestern R. Co.*, 92 F. (2d) 897 (C.C.A. 5th), is not in point for the reason that that case was concerned with the sole issue as to whether or not the corporation was in receipt of the funds from which the dividends were to be paid. The question of the sufficiency of the resolution was not in issue. Cf. *Greenwood Compress & Storage Co. v. Fly* (S.D.Miss.), decided August 10, 1938, not officially reported but found in 1938 P.H., Vol. 1, par. 5.587.

We submit that no logical distinction can be found between the instant case and the cases of *United States v. Southwestern Portland Cement Co.*, *supra*; *United States v. Murine Co.*, *supra*; and *Carney v. Crocker*, *supra*.

CONCLUSION

The judgment of the lower court is not correct and should be reversed and judgment should be entered for appellant.

Respectfully submitted,

JAMES W. MORRIS,
Assistant Attorney General.

SEWALL KEY,

JAMES P. GARLAND,
*Special Assistants to the
Attorney General.*

CARL C. DONAUGH,
United States Attorney.

DECEMBER, 1938.

**United States Circuit Court
of Appeals** 16

For the Ninth Circuit

JAMES W. MALONEY, Collector of Internal Revenue of the
United States for the District of Oregon
Appellant

v.

WESTERN COOPERAGE COMPANY, a corporation
Appellee

Upon Appeal from the United States District
Court for the District of Oregon

BRIEF OF APPELLEE

CHARLES E. McCULLOCH
FLETCHER ROCKWOOD
Attorneys for Appellee

CAREY, HART, SPENCER & McCULLOCH
Of Counsel for Appellee

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PAUL P. O'BRIEN,

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No. 9032

United States Circuit Court of Appeals

For the Ninth Circuit

JAMES W. MALONEY, Collector of Internal Revenue of the
United States for the District of Oregon

Appellant

v.

WESTERN COOPERAGE COMPANY, a corporation

Appellee

Upon Appeal from the United States District
Court for the District of Oregon

BRIEF OF APPELLEE

JURISDICTION

This appeal involves a claim for refund of Federal excise taxes paid on the receipt of dividends during the period from June 16, 1933, to December 31, 1933. Judgment was rendered in favor of appellee on July 5, 1938, for the sum of \$6,449.72 with

interest, from which decision defendant below appealed on October 4, 1938. (R. 45-47.)

The jurisdiction of this Court is invoked by virtue of the provisions of Section 128 (a) of the Judicial Code, as amended by the Act of February 13, 1925.

QUESTION PRESENTED

The sole question presented in this appeal is whether the dividends which the appellee paid after June 16, 1933, the effective date of the National Industrial Recovery Act, were "dividends declared before the enactment" of the Act.

STATUTE AND OTHER AUTHORITY INVOLVED

National Industrial Recovery Act, c. 90, 48 Stat. 195:

"Sec. 213. (a) There is hereby imposed upon the receipt of dividends (required to be included in the gross income of the recipient under the provisions of the Revenue Act of 1932) by any person other than a domestic corporation, an excise tax equal to 5 per centum of the amount thereof, such tax to be deducted and withheld from such dividends by the payor corporation. The tax imposed by this section shall not apply to dividends declared before the date of the enactment of this Act."

I. T. 2744, XII-2 Cumulative Bulletin 402:

“Following the established rule of construction, the expression ‘dividends declared’ as used in the statute is to be construed and applied according to its accepted legal meaning. Stated briefly, the declaration of a dividend by the board of directors of a corporation has the legal effect of creating the relationship of debtor and creditor between the corporation and the stockholder, and the rights of the stockholder as such creditor become immediately vested regardless of the fact that the dividend may be payable at some future time. In order for a dividend to be fully ‘declared’ within the meaning of the statute the action taken by the board of directors must be such as to create the relationship of debtor and creditor between the corporation and the stockholder, and the debt so created must be a legal and enforceable debt which is definite, final, and irrevocable. A dividend so declared of course effects an appropriation of surplus to the payment of the debt thereby created.”

STATEMENT OF THE CASE

This is an action brought in the District Court of the United States for the District of Oregon, against the Collector of Internal Revenue, for the recovery of Federal excise taxes assessed and collected under Section 213 of the National Industrial Recovery Act. The case was tried before the court sitting without a

jury, jury having been waived by stipulation. (R. 12-13.) The facts were stipulated. (R. 13-21.) The District Court made special findings of fact and conclusions of law (R. 35-44), and gave judgment for the taxpayer in the sum of \$6,449.72, together with interest from December 28, 1935, from which judgment the Collector has appealed to this Court. (R. 45-47.)

The District Court made findings of fact as they were stipulated by the parties. The facts essential to a proper consideration of this appeal may be summarized as follows:

The appellee, plaintiff below, herein referred to as the taxpayer, is an Oregon corporation. On January 16, 1933, its board of directors at their annual meeting duly adopted and passed the following resolution: (R. 36, 37.)

“Resolved, that the Secretary and Treasurer of this Company be and he is hereby authorized, empowered and directed to pay monthly dividends of $\frac{1}{2}$ of 1% each month for the year 1933 whenever in his judgment there are moneys available to pay the same and further that whenever in the judgment of said Secretary and Treasurer there are moneys available to increase the amount of said dividends for

any month or months thereof, said Secretary and Treasurer is hereby authorized, empowered and directed to pay such additional dividends.”

This resolution was identical in form and substance with resolutions adopted in previous years under which the taxpayer paid dividends amounting to one-half of one per cent. per month on its common stock during the entire period from January, 1925, to the close of 1933. (R. 37.) (In December, 1933, the dividend was one per cent.) During the entire calendar year 1933 the taxpayer's outstanding common stock was \$2,976,600. (R. 43.)

The dividends paid on the taxpayer's common stock in the first five months of 1933, that is, before the effective date of the National Recovery Act of June 16, 1933, were as follows:

Paid in Month of 1933	Total Dividend Paid	Par Value of Stock on Which Dividends Were Paid	Per Cent. of Dividend
January	\$14,883.00	\$2,976,600.00	0.5%
February	14,883.00	2,976,600.00	0.5%
March	14,883.00	2,976,600.00	0.5%
April	14,883.00	2,976,600.00	0.5%
May	14,883.00	2,976,600.00	0.5%
	<hr/>		<hr/>
	\$74,415.00		2.5%

The dividends paid by the taxpayer on its common stock after June 16, 1933, and prior to December 31, 1933, were as follows:

Paid in Month of 1933	Total Dividend Paid	Par Value of Stock on Which Dividends Were Paid	Per Cent. of Dividend
June	\$14,883.00	\$2,976,600.00	0.5%
July	14,883.00	2,976,600.00	0.5%
August	14,883.00	2,976,600.00	0.5%
September	14,883.00	2,976,600.00	0.5%
October	14,883.00	2,976,600.00	0.5%
November	14,883.00	2,976,600.00	0.5%
December	29,766.00	2,976,600.00	1.0%
	\$119,064.00		4.0%

The dividends so paid were paid under the resolution of January 16, 1933, and without any further resolution. (R. 37.) During the period from May 31, 1933, to December 31, 1933, the taxpayer's earned surplus, available for the payment of dividends, was never less than \$546,515.12 and at all times during the year 1933 the taxpayer's earnings and profits accumulated subsequent to February 28, 1913, were in excess of \$300,000. At all times during 1933, there was money available in the taxpayer's treasury to pay dividends on its common stock in amounts not less than one-half of one per cent. per month on its outstanding common stock of \$2,976,600. (R. 42, 43.)

SUMMARY OF THE ARGUMENT

- I. The resolution of January 16, 1933, created the relation of creditor and debtor between the taxpayer and its stockholders.
- II. The dividends paid by the taxpayer between June 16, 1933, and December 31, 1933, were "dividends declared before the date of the enactment" of the National Industrial Recovery Act within the meaning of Section 213 (a) of the Act.

ARGUMENT

I

The resolution of January 16, 1933, created the relation of debtor and creditor between the taxpayer and its stockholders.

I. T. 2744, quoted above, provides that the term "dividends declared" is to be construed and applied according to its accepted legal meaning. It further provides:

"In order for a dividend to be fully 'declared' within the meaning of the statute the action taken by the board of directors must be such as to create the relationship of debtor and creditor between the corporation and the stock-

holder, and the debt so created must be a legal and enforceable debt which is definite, final, and irrevocable.”

It might well be argued that this ruling restricts the meaning of the term “dividends declared” to an extent not justified by the statute. However, for the purposes of this appeal we shall assume that the ruling is valid and imposes a proper standard whereby to test the dividends paid by Western Cooperage Company, and we shall show that under the authorities the resolution of January 16, 1933, adopted by the taxpayer’s directors, created the relation of debtor and creditor between Western Cooperage Company and its stockholders.

The declaration by a corporation of a dividend payable in cash creates a debtor-creditor relationship between the corporation and the stockholder. *Steel v. Island Milling Co.*, 47 Or. 293, 83 Pac. 783; *Bryan v. Welch et al*, 74 F. (2d) 964; *Staats v. Biograph Co.*, 236 Fed. 454; 11 Fletcher, Cyc. Corp. (Perm. Ed.), Sec. 5322, p. 786.

This general rule applies where the declaration makes the dividend payable at a future date, as well as in the case where the dividend is declared to be payable immediately. *Plant v. Walsh*, 280 Fed. 722;

United States v. Guinzburg, 278 Fed. 363; *Ford v. Snook*, 205 App. Div. 194, 199 N. Y. S. 630 (affd. 240 N. Y. 624, 148 N. E. 732); 11 Fletcher, Cyc. Corp. (Perm. Ed.), Sec. 5322, p. 791.

Furthermore, the general rule applies where, by the terms of the resolution declaring the dividend, the time for payment is specifically made dependent upon some future act of the directors or corporate officers.

Northwestern Marble & Tile Co. v. Carlson, 116 Minn. 438, 133 N. W. 1014, involved a resolution which declared a cash dividend "payable . . . at such time as the finances of the firm will in the judgment of the board of directors warrant." It was held that thereby the corporation became indebted to a stockholder and that the stockholder could enforce that debt as a counterclaim when sued by the corporation. The Minnesota Court said:

"The board of directors by the resolution declared a dividend, and its action was amply justified by the surplus and undivided profits of the corporation. No further action of the board was necessary to make the segregation of the amount of the dividend of each stockholder from the common mass of the corporate property. There was no qualification of the declara-

tion of the dividend, and its existence as a debt against the corporation was not dependent upon any further action of the board, but the debt was payable at such time as the finances of the corporation would in the judgment of the board of directors warrant. This provision as to the time of payment of the dividend must be construed in connection with the fact that a dividend had been rightfully declared and notice thereof given to the stockholders at their annual meeting. So construing the provision, we hold that the time of payment of the dividend was not a matter depending upon the discretionary future action of the board, but that it gave to the board a reasonable time in which to make the necessary arrangements for its payment; that is, the dividend was payable within a reasonable time."

See also *Beers v. Bridgeport Spring Co.*, 42 Conn. 17, where the resolution declared a cash dividend payable at such time as the directors might order. It was held that the declaration created a debt due to stockholders and payable within a reasonable time. In *Wallin v. Johnson City Lumber & Mfg. Co.*, 136 Tenn. 124, 188 S. W. 577, the declaration stated that the dividend should be "paid out at a later date on the order of the board of directors," and the Court held that it created a debt payable within a reasonable time.

The resolution in the present case could scarcely have been stronger or more unequivocal. It "authorized, empowered and *directed*" the Secretary and Treasurer to pay dividends of one-half of one per cent. per month "whenever in his judgment there are moneys available to pay the same." Here is no mere resolution that a dividend is declared or authorized. The Secretary-Treasurer was *directed* to pay monthly dividends in a specified minimum amount, one-half of one per cent. per month. He was given no option to pay or to omit payment.

The corporate earned surplus accumulated subsequent to February 28, 1913, and available for dividends, was in excess of \$300,000 throughout 1933, and the cash balances in the treasury were at all times sufficient to pay the dividends monthly in accordance with the resolution. The aggregate of dividends actually paid on common stock in 1933 was \$193,492, and on preferred stock \$7,504, a total of \$200,996. The facts bring this case squarely within the rule applied in *Northwestern Marble & Tile Co. v. Carlson*, *supra*.

It follows that the declaration of dividends in January, 1933, created a debt to the stockholders, and satisfied fully the test provided by I. T. 2744.

II

The dividends paid by the taxpayer between June 16, 1933, and December 31, 1933, were "dividends declared before the date of the enactment" of the National Industrial Recovery Act, within the meaning of Section 213 (a) of the Act.

The question whether various resolutions constituted declarations of dividends within the intendment of Section 213 (a) of the National Industrial Recovery Act has given rise to a small, but in the main well-considered, group of federal decisions. Since each case turns solely on the wording of the particular resolution involved, the decisions have sometimes been in favor of the Government and sometimes in favor of the taxpayer. But despite the diverse results reached, the cases are easily reconciled on the basis of a well-defined distinction which has been ignored by counsel for the appellant in the indiscriminate citation of cases in his brief.

This distinction is stated most explicitly in *United States v. Murine Co., Inc.*, 90 F. (2d) 549 (C.C.A. 7th, 1937), in which the Court, after reviewing the authorities relied on in the lower court, said:

"An examination of these authorities, however, convinces us that they afford very little support, if any, to appellee's contention. They all in vary-

ing degree hold that language used, which merely extends the time of payment, is not a limitation upon the obligation of the corporation to pay dividends. In other words, a declaration to pay dividends is not invalid on account of language used which merely extends or makes uncertain the time of payment.”

The resolution in the *Murine Co.* case contained the following proviso:

“ . . . in the event, in his judgment, the condition of the treasury on any of these dates shall not warrant the payment of such dividends, he may omit the same or defer the payment until some later date . . . ”

(It should be noted that the brief for the Government does not quote that portion of the resolution following the word “same”.) The Court held that the use of the word “omit” prevented the resolution from becoming a valid declaration, and said:

“In the instant case, if the resolution had merely authorized the treasurer to defer the payments until some later date, the cases cited would be applicable and controlling, but to give the resolution such construction it seems to us is to ignore entirely the words ‘he may omit the same.’

“Some of the definitions for the word ‘omit’ as given by Webster’s Dictionary are: ‘To leave out, to leave undone, to let go, to refrain or

cease from keeping.’ We see no reason why the word as used here should be construed to have a meaning different from that which it ordinarily bears. The resolution clearly authorizes the treasurer to do two things—either ‘omit’ payment or ‘defer’ payment. The terms are not synonymous and they cannot mean the same thing. The use of the word ‘omit’ serves to defeat the establishment of a legal and enforceable debt which was definite, final, and irrevocable. To hold otherwise is to ignore the certain and unambiguous meaning of that term.”

It is interesting to note that the Court construes the word “omit” in its ordinary meaning to deny the exemption and uphold the tax while in I. T. 2744 the term “dividends declared” is given a restricted “legal meaning” for a like purpose.

Like the *Murine* case, the cases of *Carney v. Crocker et al*, 94 F. (2d) 914, and *United States v. Southwestern Portland Cement Co.*, 97 F. (2d) 413, cited by counsel for the appellant, involve resolutions limiting the *obligation* of the corporation to pay dividends rather than merely leaving the time of payment undetermined. Thus, in *Carney v. Crocker*, *supra*, the declaration of the dividend was “subject to the approval of the President and Treasurer and Assistant Treasurer,” and the Court correctly held that

since the declaration of the dividend was solely conditioned upon the approval of the officers named, it was not a fully declared dividend.

In *United States v. Southwestern Portland Cement Co.*, supra, the clause in the resolution, construed by this Court as qualifying the declaration of a dividend, read, "until otherwise ordered by the Board of Directors." This Court applied the distinction set out in the *Murine* case and held that since the board of directors had reserved the power to rescind the declaration entirely, no dividend had actually been declared. The Court said:

"In view of the final clause thereof, the declaration of dividend in the instant case is not absolute and unqualified in its terms and, therefore, not fully declared within the meaning of the statute. In fact, the appellee concedes, 'The board of directors of the Corporation, at the time of the adoption of the dividend resolution on March 10, 1932, reserved the power to amend the said resolution and thereby in effect could rescind the declaration of such future annual dividends as had not become debts of the Corporation.' This means that the board could not be compelled to pay a dividend under the resolution because it had the power to order otherwise. If this be true, as it must be under the resolution, a dividend would not be fully declared, in the sense that it was a debt of the

corporation and could not be rescinded, until it was actually paid or some other affirmative action taken. No other affirmative action was taken.”

The resolution in the present case, in sharp contrast with that in the *Southwestern Portland Cement Co.* case, was not a continuing resolution but was restricted to the year 1933. Furthermore, it reserved no power of revocation either in the board or any officer.

Counsel for the Government also cites *Alexander & Alexander, Inc., v. United States*, 22 F. Supp. 921, and *Lockhart Iron & Steel Co. v. O'Toole*, 22 F. Supp. 919, in support of his position. Again in these cases there is brought out the distinction between a limitation on the obligation to pay and a mere discretion as to the time of payment. In the *Alexander* case, the resolution provided that “this rate of dividend payment shall continue until such time as the Board of Directors shall otherwise order.” Obviously, this language, as the Court found, lacked “the finality necessary to create a binding debt from the company to the stockholder . . .”

Similarly, in *Lockhart Iron & Steel Co. v. O'Toole*, supra, the Court found that the declaration of a quar-

terly dividend payable "until further notice" did not irrevocably commit the corporation to pay. Accordingly, it was held that the dividend paid after June 16, 1933, was not exempt under Section 213 (a).

On the other hand, there are a number of cases similar to the instant case holding that mere uncertainty as to the time of payment of a dividend does not invalidate the declaration of the dividend as lacking finality. In many of these cases the language of the resolutions involved is identical in its import (but not so strong or peremptory) with that found in the taxpayer's resolution adopted January 16, 1933.

Thus in *Thompson Mfg. Co. v. United States*, 22 F. Supp. 830 (Court of Claims, 1938), the resolution adopted January 10, 1933, provided as follows:

"Resolved by the Stockholders in Annual Meeting assembled, that the continued maintenance of a Surplus as large as that shown by the treasurer's report is unnecessary, and we urge and recommend that the directors declare a dividend of not less than eighty per cent (80%). Voted: to declare a dividend of 80% payable soon as convenient."

In order to obtain the cash to pay this dividend, the corporation had to withdraw a considerable sum from the savings bank and had to sell some bonds. Pay-

ment of the dividend was not actually made until October, 1933. The Court held that the decision in *United States v. Murine Company, Inc.*, supra, was not decisive under this resolution, and said:

“In support of this claim *United States v. Murine Co.*, 7 Cir., 90 F. 2d 549, is cited, but in that case the language used with reference to the dividend was not definite or final. In the opinion a number of cases are cited showing that a declaration to pay dividends ‘is not invalid on account of language used which merely extends or makes uncertain the time of payment.’ The provision that the dividend was to be paid ‘soon as convenient’ merely made the time of payment uncertain and did not invalidate the declaration of it which was expressly made. It follows that the tax upon the dividends was wrongfully collected.”

The case of *Alabama Pipe Co. v. United States*, 21 F. Supp. 173 (Court of Claims, 1937), involved a resolution adopted February 19, 1932, which read:

“Resolved that the accumulated dividends upon the company’s outstanding preferred stock for the year 1931 may be paid when and if the company’s finances make it advisable to do so, the decision to be left to the judgment of the President and General Manager; also, that the smaller stockholders may be paid first; also that by agreement between or among the three groups

of the larger stockholders (Hamilton-Kilby-Byrd) any of said group may be paid first, either in full or on account, but that no payment at all shall be made to anyone unless the President and General Manager decides that it shall be done, at the time.' ”

The Court, after pointing out that at the time the resolution was adopted the plaintiff had surplus and cash on hand sufficient to pay the dividend, that actually a part of the dividend had been paid when the resolution was adopted, and that a major portion of the dividends were paid prior to the enactment of the National Industrial Recovery Act, held that the dividends were exempt from tax. Counsel for the Government claims that these circumstances are not present in the instant case. Yet, as the stipulated facts show, the appellee at all times had sufficient surplus and cash on hand to pay the dividend, payment had been regularly made under similar resolutions for over eight years, and prior to June 16, 1933, \$74,415.00 of a total of \$193,479.00 had actually been paid on the common stock dividend. Far from being distinguishable on its facts, the *Alabama Pipe Company* case is strong authority for the appellee's position.

In *West Bay City Sugar Co. v. United States* (District Court of Michigan, 1936, not officially reported), 18 A. F. T. R. 1317, a resolution adopted March 31, 1933, read as follows:

“Resolved, ‘that there be a special dividend of \$60,000 credited to account of bills payable on account of surplus March 31, 1933, and to be paid as the same may be available from treasury funds.’ ”

The dividend in question was not paid until after the effective date of the National Industrial Recovery Act. Again, the Court held that it was a dividend “declared” prior to the effective date of the act and therefore exempt from the tax imposed by Section 213 (a).

The case of *Evening Star Newspaper Co. of Washington v. United States*, 16 F. Supp. 1020 (Court of Claims, 1936), likewise supports the appellee’s position. There a resolution was adopted on April 10, 1914, reading as follows:

“ ‘Resolved, That the President of the Company be authorized and directed to pay such dividends from the profits of the Company as will, in his judgment, be consistent with the policy of the Company to maintain reserves ample for all emergencies.’ ”

Acting upon the authority thereby granted, the corporation paid dividends in 1933 subsequent to the effective date of the act aggregating \$420,000. The Court of Claims held that those dividends were "declared" before the date of the act and rendered judgment against the United States for tax and interest improperly assessed and collected.

The taxpayer's resolution of January 16, 1933, contained these words:

" . . . and further that whenever in the judgment of said Secretary and Treasurer there are moneys available to increase the amount of said dividends for any month or months thereof, said Secretary and Treasurer is hereby authorized, empowered and directed to pay such additional dividends."

Pursuant to that authority the Secretary and Treasurer in December paid an extra dividend of one-half

NOTE.—In addition to the cases discussed above, the following decisions have involved Section 213 (a) of the National Industrial Recovery Act, but do not bear on the issue presented by the instant case: *United States v. Southwestern Railroad Company*, 92 F. (2d) 897; *Realty Investment Co. v. Moore*, 22 F. Supp. 918; *Trust Holding Corporation v. United States* (District Court of West Virginia, 1938, not officially reported) — see paragraph 5.300, 1938, Prentice-Hall Tax Service; *Greenwood Compress and Storage Co. v. Fly* (Southern District of Mississippi, 1938, not officially reported) — see paragraph 5.587 Prentice-Hall Tax Service, 1938. These cases are cited only that the Court may have before it all decisions involving Section 213 (a) of the Act.

of one per cent. (a total of one per cent. in December). Under some of the cases cited above such extra dividend would have been exempt from the tax. However, we frankly admit that the extra dividend for December stands on a different footing from the regular dividends of one-half of one per cent. for each month of 1933. We concede that the exercise of the discretion of the Secretary and Treasurer to pay an additional amount was necessary to create a debtor-creditor relationship with respect to such additional amount. That discretion or judgment was not exercised until the payment was made in December, and therefore under I. T. 2744 and *Carney v. Crocker*, supra, *United States v. Murine Co.*, supra, *Alexander & Alexander, Inc., v. United States*, supra, and *United States v. Southwestern Portland Cement Co.*, supra, the extra dividend was not finally declared in January within the meaning of Section 213 (a). It was the recognition by the taxpayer of the different status of this extra December dividend from that of the regular monthly dividends which prompted the taxpayer not to include in its claim for refund the tax on the extra dividend of December.

The exempt status of the regular dividends paid pursuant to the taxpayer's resolution of January 16,

1933, is clearly illustrated when that resolution and the resolutions in the cases discussed above are scrutinized in the light of the test laid down by the *Murine* case, *supra*. It will be recalled that the taxpayer's resolution provided:

“*Resolved*, that the Secretary and Treasurer of this Company be and he is hereby authorized, empowered and directed to pay monthly dividends of $\frac{1}{2}$ of 1% each month for the year 1933 *whenever in his judgment there are moneys available to pay the same . . .*” (Italics ours.)

The following is a summary of the essential words of the resolutions which have been held to satisfy the statute with respect to “dividends declared” because the limitation or uncertainty related only to *time of payment*.

1. “soon as convenient”
Thompson Mfg. Co. v. United States,
supra.
2. “. . . may be paid when and if the company's finances make it advisable to do so, the decision to be left to the judgment of the President and General Manager; . . .”
Alabama Pipe Co. v. United States, supra.
3. “. . . to be paid as the same may be available from treasury funds.”
West Bay City Sugar Co. v. United States,
supra.

4. “ “. . . such dividends . . . as will, in his judgment, be consistent with the policy of the Company to maintain reserves ample for all emergencies.’ ”

Evening Star Newspaper Co. v. United States, supra.

In contrast are the resolutions set out below which have been held insufficient to meet the statutory standard with respect to “dividends declared” because of limitation on *the obligation of the corporation to pay*.

1. “ “. . . subject to the approval of the President and Treasurer and Assistant Treasurer.’ ”

Carney v. Crocker, supra.

2. “ “. . . until otherwise ordered by the Board of Directors.’ ”

United States v. Southwestern Portland Cement Co., supra.

3. “ “. . . until further notice.’ ”

Lockhart Iron & Steel Co. v. O'Toole, supra.

4. “ “. . . until such time as the Board of Directors shall otherwise order.’ ”

Alexander & Alexander, Inc., v. United States, supra.

5. “ “. . . he may omit the same.’ ”

United States v. Murine Co., supra.

When the taxpayer's resolution is compared with those listed above, it becomes obvious that the language "whenever in his judgment there are moneys available to pay the same" brings the instant case clearly within the class of cases holding the dividends "finally declared" and exempt from tax. In addition to this conclusion forced by the literal wording of the taxpayer's resolution, the surrounding facts in the present case make it doubly evident that the dividends in question were "declared" prior to June 16, 1933. Thus, as noted earlier, the taxpayer had paid dividends regularly for eight years under similar resolutions, a large portion of the total dividends had been paid prior to June 16, 1933, and at all times the taxpayer had on hand sufficient surplus and cash to pay the entire dividend.

It is submitted, therefore, that the judgment of the lower court declaring the appellee's dividends to be exempt was correct and should be sustained.

Respectfully submitted,

CHARLES E. McCULLOCH

FLETCHER ROCKWOOD

Attorneys for Appellee.

CAREY, HART, SPENCER & McCULLOCH

Of Counsel for Appellee



United States
Circuit Court of Appeals

For the Ninth Circuit. 17

ROSE PACKARD SHYVERS,

Appellant,

vs.

THE SECURITY-FIRST NATIONAL
BANK OF LOS ANGELES,

Appellee.

Transcript of Record

Upon Appeal from the District Court of the United
States for the Southern District of California,
Central Division.

FILED

MAY 3 - 1933

PAUL P. O'BRIEN,

CLERK







United States
Circuit Court of Appeals

For the Ninth Circuit.

ROSE PACKARD SHYVERS,

Appellant,

vs.

THE SECURITY-FIRST NATIONAL
BANK OF LOS ANGELES,

Appellee.

Transcript of Record

Upon Appeal from the District Court of the United
States for the Southern District of California,
Central Division.

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in *italic*; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in *italic* the two words between which the omission seems to occur.]

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NAMES AND ADDRESSES OF ATTORNEYS

For Appellant:

RAYMOND R. HAILS, Esq.,
JOHN A. JORGENSEN, Esq.,
412 West 6th Street,
Los Angeles, California.

For Appellee:

ROANE THORPE, Esq.,
THORPE & BRIDGES, Esqs.,
1114 Pacific Southwest Bldg.,
Los Angeles, California. [1*]

United States Circuit Court of Appeals for the
Ninth Circuit.

No.

ROSE PACKARD SHYVERS,

Appellant,

vs.

SECURITY-FIRST NATIONAL BANK
OF LOS ANGELES,

Appellee.

CITATION

United States of America—ss.

To the Security-First National Bank of Los Angeles, greeting:

You are hereby cited and admonished to be and appear at a United States Circuit Court of Appeals

*Page numbering appearing at the foot of page of original certified Transcript of Record.

for the Ninth Circuit, to be held at the City of San Francisco, in the State of California, on the 13th day of March, A. D., 1939, pursuant to an order allowing appeal filed on February 8, 1939, in the Clerk's Office of the District Court of the United States, in and for the Southern District of California, in that certain cause No. 32930-J, Central Division, wherein Rose Packard Shyvers is/are appellant and you are appellee to show cause, if any there be, why the decree, order or judgment in the said appeal mentioned, should not be corrected, and speedy justice should not be done to the parties in that behalf.

Witness, the Honorable Wm. P. James, United States District Judge for the Southern District of California, this 8th day of February, A. D. 1939, and of the Independence of the United States, the one hundred and sixty-third.

WM. P. JAMES,
U. S. District Judge for the Southern District
of California.

Service of a copy of the foregoing Citation is acknowledged this 8th day of February, 1939.

THORPE & BRIDGES,
By ROANE THORPE,
Attorney for Appellee.

[Endorsed]: Filed Feb. 9, 1939 [2]

No. 32930-J

To the Honorable Wm. P. James
Paul J. McCormick,
Geo. Cosgrave,
Harry A. Hollzer,
Leon R. Yankwich,
Ralph E. Jenney
Judges of the

District Court of the United States for the Southern
District of California, Central Division.

DEBTOR'S PETITION

Debtor's Petition in the Proceedings Under Section
75 of the Bankruptcy Act

The Petition of Rose Packard Shyvers,
36A Kensington Park Road,
Notting Hill Gate, London, W. 11,
England.

Respectfully Represents: That she is primarily bona fide personally engaged in producing products of the soil (or that she is primarily bona fide personally engaged in dairy farming, the production of poultry or livestock, or the production of poultry products or livestock products in their unmanufactured state, or the principal part of whose income is derived from any one or more of the foregoing operations) as follows: The principal part of her income is derived from cash rentals and the proceeds of the sale of crop share rentals derived from the

so-called Packard Ranch, more particularly described in Schedule B(1) attached hereto; that such operations occur in the county (or counties) of Santa Barbara, within said judicial district; that she is insolvent (or unable to meet her debts as they mature); and that she desires to effect a composition or extension of time to pay her debts under Section 75 of the Bankruptcy Act.

That the schedule hereto annexed, marked "A", and verified by the oath of petitioner's attorney, contains a full and true statement of all her United States debts, and (so far as it is possible to ascertain) the names and places of residence of her [3] United States creditors, and such further statements concerning said debts as are required by the provisions of said act.

That the schedule hereto annexed, marked "B", and verified by the oath of petitioner's attorney, contains an accurate inventory of all her United States property, both real and personal, and such further statements concerning said property as are required by the provisions of said act.

That the petitioner at the present time is, and ever since some time in 1932 has been, actually in England.

That on or about the 27th day of September, 1938, petitioner's attorney prepared and sent to petitioner, via air mail, at her address in England, three copies of petition with attached schedules for her execution and return to this country, so that the petition

might be signed and verified by the petitioner herself; that petitioner's attorney is not familiar with and does *now* know petitioner's assets and liabilities in England or other places outside of the United States and petitioner was requested on transmission of such schedules for her execution and verification to supply therein all such information. That on or about the 11th day of October, 1938, petitioner's attorney received a cablegram from petitioner, who was at that time in Liverpool, England, advising that she had just received such schedules for execution and that there was some delay in their receipt by her in England because of her absence from London. That said cablegram advised the petitioner's attorney that petitioner was returning at once to London for the purpose of completing and executing said schedules and said attorney believes that said petition and schedules, duly executed by petitioner herself, will be received not later than October 25, 1938, and that as soon as they do arrive petitioner's attorney will file herein such petition and schedules, executed and verified by petitioner herself, as amended and supplemental petition and schedules herein. [4]

That petitioner's attorney is familiar with petitioner's assets and liabilities in the United States; that for many years he has represented her in this country under a general power of attorney.

Wherefore, your petitioner prays that her petition may be approved by the court and proceedings

had in accordance with the provisions of said section.

ROSE PACKARD SHYVERS,
Petitioner.

By RAYMOND R. HAILS,
Her Attorney and Her Attorney
in Fact.

JOHN A. JORGENSEN
RAYMOND R. HAILS,
Attorneys for Petitioner.

OATH TO PETITION

United States of America,
Southern District of California,
Central Division—ss.

State of California,
County of Los Angeles—ss.

I, Raymond R. Hails, attorney for Rose Packard Shyvers, the petitioning debtor mentioned and described in the foregoing petition, do hereby make solemn oath that the statements contained therein are true according to the best of my knowledge, information, and belief.

[Seal] RAYMOND R. HAILS.

Subscribed and sworn to before me this 15th day of October, 1938.

JESSIE L. MINER,
Notary Public in and for the County of Los Angeles, State of California.

My Commission Expires January 25, 1940. [5]

SUMMARY OF DEBTS AND ASSETS

(From the Statements of the Bankrupt in Schedules A and B)

			Dollars	Cents
Schedule	A.....	1 (1)	Taxes and Debts due United States	0.00
"	A.....	1 (2)	Taxes due States, Counties, Districts and Municipalities	3,371.50
"	A.....	1 (3)	Wages	0.00
"	A.....	1 (4)	Other Debts preferred by law.....	0.00
"	A.....	2	Secured claims	197,857.45
"	A.....	3	Unsecured claims	11,885.41
"	A.....	4	Notes and bills which ought to be paid by other parties thereto.....	0.00
"	A.....	5	Accommodation paper	0.00
			Schedule A, total.....	213,114.36
Schedule	B.....	1	Real Estate	285,500.00
"	B.....	2-a	Cash on hand.....	3,096.81
"	B.....	2-b	Bills, promissory notes and securities	1,299.00
"	B.....	2-c	Stock in trade.....	0.00
"	B.....	2-d	Household goods, etc.....	0.00
"	B.....	2-e	Books, prints and pictures.....	0.00
"	B.....	2-f	Horses, cows and other animals.....	0.00
"	B.....	2-g	Carriages and other vehicles.....	0.00
"	B.....	2-h	Farming stock and implements.....	0.00
"	B.....	2-i	Shipping and shares in vessels.....	0.00
"	B.....	2-k	Machinery, tools, etc.....	3,000.00
"	B.....	2-l	Patents, copyrights and trade marks	0.00
"	B.....	2-m	Other personal property.....	0.00
"	B.....	3-a	Debts due on open account.....	0.00
"	B.....	3-b	Stocks, negotiable bonds, etc.....	2,122.41
"	B.....	3-c	Policies of insurance.....	0.00
"	B.....	3-d	Unliquidated claims	0.00
"	B.....	3-e	Deposits of money in banks and else- where	821.24
"	B.....	4	Property in reversion, remainder, trust, etc.	0.00
"	B.....	5	Property claimed to be exempt.....	0.00
"	B.....	6	Books, deeds and papers.....	0.00
			Schedule B. total.....	294,839.46

(Everything which Hails sets out in his Schedules A (1) thru A (5) is set forth, verbatim, by debtor in her same schedules hereinafter printed, and they are therefore omitted to save duplication. However, debtor in her Schedule A (2) adds certain statements with reference to "Security" after reciting in full what Hails set forth; and in her schedule A (3) debtor adds Mrs. Stella Elizalde as an unsecured creditor in the sum of \$200.00.)

ROSE PACKARD SHYVERS,

Petitioner.

By RAYMOND R. HAILS,

Her Attorney.

OATH TO SCHEDULE A

United States of America,
Southern District of California,
Central Division—ss.

On this 15th day of October, A. D. 1938, before me, personally came Raymond R. Hails, the person mentioned in and who subscribed to the foregoing schedule and who, being by me first duly sworn, did declare the said schedule to be a statement of all Petitioner's U. S. debts, in accordance with the Acts of Congress relating to Bankruptcy.

JESSIE L. MINER,

Notary Public in and for the County of Los Angeles, State of California.

My Commission Expires January 25, 1940. [11]

(Schedule B, by Hails, containing Statement of All Property by Bankrupt, being Schedules B (1)

thru B (6), are omitted to save duplication, as everything set forth by Hails is also set forth by debtor and is printed hereinafter, except: Hails gives "Cash on hand" under Personal Property as \$3096.81, while debtor gives it as \$1509.74 and debtor gives \$200.00 as value of "Household goods and furniture, household stores, wearing apparel and ornaments of the person" while Hails gives no value, and debtor gives value of "Books, prints, pictures" as \$25.00 while Hails gives no value; and in Schedule B (3) entitled "Choses in Action", Hails gives "Deposits of money in banking institutions and elsewhere as \$821.24, while debtor gives item as \$981.86; and in Schedule B (5), debtor, after reciting what Hails sets forth, adds a heading "Real Property in England (Farm Property)" together with all that appears thereafter under said Schedule.) [19]

ROSE PACKARD SHYVERS,

Petitioner.

By RAYMOND R. HAILS,

Her Attorney.

OATH TO SCHEDULE B

United States of America,
Southern District of California,
Central Division—ss.

On this 15th day of October, A. D. 1938, before me, personally came Raymond R. Hails, the person mentioned in and who subscribed to the foregoing schedule and who, being by me first duly sworn, did

declare the said schedule to be a statement of all Petitioner's U. S. estate, both real and personal, in accordance with the Acts of Congress relating to bankruptcy.

JESSIE L. MINER,

Notary Public in and for the County of Los Angeles, State of California.

Ordered filed Oct. 17-38.

R. E. J.

[Indorsed]: No. 32930-J Petition by Debtor with Schedules A and B filed Oct. 17, 1938. [20]

[Title of District Court and Cause.]

APPROVAL OF DEBTOR'S PETITION AND
ORDER OF REFERENCE

(Under Section 75 Bankruptcy Act)

At Los Angeles, in said District, on October 17, 1938, before the said Court the petition of Rose Packard Shyvers that she desires to effect a composition or an extension of time to pay her debts, and such other relief as may be allowed under the Act of March 3, 1933, and within the true intent and meaning of all the Acts of Congress relating to bankruptcy, having been heard and duly considered, the said petition is hereby approved accordingly.

It is thereupon ordered that said matter be referred to John Frame, Esq., one of the Conciliation Commissioners in bankruptcy of this Court, to take

such further proceedings therein as are required by said Acts; and that the said Rose Paekard Shyvers shall attend before said Conciliation Commissioner on October 24, 1938 and at such times as said Conciliation Commissioner shall designate, at his office in Solvang, California, and shall submit to such orders as may be made by said Conciliation Commissioner or by this Court relating to said matter.

Witness, the Honorable Ralph E. Jenney, Judge of said Court, and the seal thereof, at Los Angeles, in said District, on October 17, 1938.

[Seal]

R. S. ZIMMERMAN,
Clerk.

By H. K. JACOBS,
Deputy Clerk.

[Indorsed]: Filed Oct. 17, 1938. [21]

DEBTOR'S PETITION

Debtor's Petition in the Proceedings Under Section
75 of the Bankruptcy Act

To the Honorable Judge of the District Court of the
United States for the Southern District of Cali-
fornia, Central Division

The petition of (name in full) Rose Paekard
Shyvers, (residence number) 36A Kensington Park
Road of Notting Hill Gate, (street, city) London,
W. 11 in the County of.....and District
and State of England

Respectfully Represents: That she is primarily
bona fide personally engaged in producing products

of the soil (or that he is primarily bona fide personally engaged in dairy farming, the production of poultry or livestock, or the production of poultry products or livestock products in their unmanufactured state, or the principal part of whose income is derived from any one or more of the foregoing operations) as follows: The principal part of her income is derived from cash rentals and the proceeds of the sale of crop share rentals derived from the so-called Packard Ranch, more particularly described in Schedule B (1) attached hereto; that such operations occur in the county (or counties) of Santa Barbara within said judicial district; that she is insolvent (or unable to meet her debts as they mature); and that she desires to effect a composition or extension of time to pay her debts under Section 75 of the Bankruptcy Act.

That the schedule hereto annexed, marked "A", and verified by your petitioner's oath, contains a full and true statement of all her debts, and (so far as it is possible to ascertain) the names and places of residence of her creditors, and such further statements concerning said debts as are required by the provisions of said act.

That the schedule hereto annexed, marked "B", and verified by your petitioner's oath, contains an accurate inventory of all her property, both real and personal, and such further statements concerning said property as are required by the provisions of said act.

Wherefore your petitioner prays that her petition may be approved by the court and proceedings had in accordance with the provisions of said section.

ROSE PACKARD SHYVERS,
Petitioner.

RAYMOND R. HAILS and
JOHN A. JORGENSON,

Attorneys for Petitioner.

(One shilling stamp.)

OATH TO PETITION

[Seal and Green Ribbon.]

Kingdom of England,
City of London—ss.

I, Rose Packard Shyvers, the petitioning debtor mentioned and described in the foregoing petition, do hereby make solemn oath that the statements contained therein are true according to the best of my knowledge, information, and belief.

ROSE PACKARD SHYVERS,
Petitioner.

Subscribed and Sworn to before me this 17th day of October 1938.

ALBERT E. DEWEY,

(Official character) Notary Public.

Notary Public in and for the City of London, Kingdom of England. [22]

Great Britain and Northern Ireland,
London, England.

Consulate General of the United States
of America—ss.

I, Harry E. Carlson, Consul of the United States of America residing at London, England, do hereby make known and Certify to all whom it may concern that Albert Edward Dewey who hath signed the annexed certificate, is a notary public duly admitted and sworn and practising in the city of London, England and that to all acts by him so done full faith and credit are and ought to be given in Judicature and thereout.

In Testimony Whereof, I have hereunto set my hand and affixed my seal of Office at London aforesaid, this seventeenth day of October 1938 in the year of our Lord One Thousand Nine Hundred and thirty-eight.

[Seal and red ribbon] HARRY E. CARLSON,
Consul of the United States of America at London,
England.

Service No. 10385 Fee \$2 (Fee stamp)
[23]

SUMMARY OF DEBTS AND ASSETS
(From the Statements of the Bankrupt in
Schedules A and B)
(Not filled in by Debtor)

[24]

SCHEDULE A.

STATEMENT OF ALL DEBTS OF BANKRUPT
Schedule A (1)

Statement of all Creditors who are to be paid in full or to whom priority is secured by law

(2) Taxes due and owing to the State of California or to any County, district or municipality thereof.

	Dollars	Cents
1938-39 General property taxes—Santa Barbara County—estimated	\$3,250.00	
1938-39 General property taxes—Carpinteria Sanitary District—estimated		16.00
1938-39 General property taxes—City of Santa Barbara, estimated		17.50
Delinquent taxes and penalties—Santa Barbara County, estimated		40.00
Delinquent taxes and penalties—City of Santa Barbara		48.00
Total.....	3,371.50	
		[25]

SCHEDULE A (2)
Creditors Holding Securities

	Dollars	Cents
Security-First National Bank of Los Angeles, Santa Barbara Branch, Santa Barbara, California:		
Note dated June 15, 1934, secured by first deed of trust on real property hereinafter described and by collateral as hereinafter set forth:		
Principal amount	\$122,321.07	
Advances		1,654.18
Accrued interest at 6% per annum to October 1, 1938.....	15,723.96	139,699.21

Note dated June 15, 1934, secured by second deed of trust on real property hereinafter described and by collateral as hereinafter set forth:

Principal amount	49,940.28	
Accrued interest at 6% per annum to October 1, 1938.....	8,099.96	58,040.24
<hr/>		
Foreclosure fees and expenses to August 29, 1938		118.00

The real property covered by the deeds of trust securing said notes is described as follows:

Parcel 1.

All of Lot Four (4) as shown on the map of "Partition of Packard Goux Schiappapietra Tract, Carpinteria, Cal." filed June 16, 1897 with the report of the Commissioners in Action No. 2262 in the Superior Court of the State of California, in and for the County of Santa Barbara, entitled, Margaret Isabel Coyle, et al., Plaintiffs vs. Southern Pacific Railroad Company, et al., Defendants, described as follows:

Value \$5,000.00

Description omitted.

Parcel 2.

All that portion of the Rancho Jesus Maria, in the County of Santa Barbara, State of California, described as follows:

Value \$279,000.00

Description omitted.

The collateral held by said creditor as additional security for the payment of said notes is as follows:

792 shares of the common capital stock of Lompoc Orena Land Company, a California corporation, evidenced by certificate No. 1. Value \$792.00 Security. Miss Norah Mary Gibbs of "Etain" Gold Links Road Westward Ho! in the County of Devon, England. Mortgage dated 29th

March 1932 secured on real farm property hereinafter described and also on further real property not belonging to the Petitioner—

Principal amount	£3000	
Accrued interest at 6% per annum to October 1st 1938.....	£12	£3012.0

[26]

Schedule A (2)
Continued

This property is also charged as collateral security to Stonsolie Investments Ltd., registered office 108a Cannon Street, London E. C. 4.

The real property in England covered by the above mentioned Mortgage is described as follows:

All those pieces of land and hereditaments situate in the Parish of Upminster in the County of Essex known as Vale Farm House and described by the numbers 148 part, 189, 190, 200, 202 and 203 on the Ordnance Sheet printed and published by the Director General of the Ordnance Survey Office, Southampton, England

Value £8375.

Security.

Mrs. Spooore, care of Messrs. Cave & Co.,
20 Eastcheap
London, E. C. 3

Mortgage dated 25th November 1929 secured on real farm property hereinafter described—

Principal amount	£4900.	
Accrued interest at 5% per annum to October 1st 1938.....	£86	£4986.

The real property in England covered by the above mentioned Mortgage is described as follows:

First all those pieces or parcels of land situate in the Parish of Upminster in the County of Essex England adjoining the road known as Bird Lane and being numbered 217 (Part) 218 (Part)

and 226 on the Ordnance Survey Map printed and published by the Director General of the Ordnance Survey Office, Southampton, England.

And Secondly all that piece or parcel of land situate in the said Parish of Upminster known as Great Socketts at the junction of Bird Lane aforesaid and the road from Hornechurch to Warley Essex aforesaid and containing in the whole $7\frac{1}{2}$ acres or thereabouts.

Value £6625.0

Total.....
[27]

SCHEDULE A(3)

Creditors Whose Claims Are Unsecured.

Henry McGee, 223 South H Street, Lompoc, California.

Unsecured note dated January 1, 1934—due on or before one year after date, interest 6% per annum:

Principal amount	1,804.22	
Accrued interest to October 1, 1938	81.19	1,885.41

Raymond R. Hails, 412 West 6th Street, Los Angeles, California.

Open account for legal services rendered..... 10,000.00

Mrs. Stella Elizalde, 327 Castillo Street, Santa Barbara, California.

Unsecured note	200.00	
----------------------	--------	--

[28]

SCHEDULE A(4)

Liabilities on Notes or Bills Discounted Which Ought to Be Paid by the Drawers, Makers, Acceptors or Indorsers
None.

[29]

SCHEDULE A(5)
Accommodation Paper

None.

.....Total

ROSE PACKARD SHYVERS,
Petitioner.

OATH TO SCHEDULE A

Kingdom of England,
City of London—ss.

On this seventeenth day of October, A. D. 1938, before me, personally came Rose Packard Shyvers the person mentioned in and who subscribed to the foregoing schedule and who, being by me first duly sworn, did declare the said schedule to be a statement of all her debts, in accordance with the Acts of Congress relating to Bankruptcy.

ALBERT E. DEWEY.

Notary Public in and for the City of London, Kingdom of England. [30]

SCHEDULE B

STATEMENT OF ALL PROPERTY BY BANKRUPT

Schedule B(1)

Real Estate

That certain real property in the County of Santa Barbara, State of California, particularly described as follows:

Parcel 1:

All of Lot Four (4) as shown on the map of "Partition of Packard Goux Schiappapietra Tract, Carpinteria, Cal." filed June 16, 1897 with the report of the Commissioners in Action No. 2262 in

the Superior Court of the State of California, in and for the County of Santa Barbara, entitled Margaret Isabel Coyle, et al. Plaintiffs vs. Southern Pacific Railroad Company, et al., Defendants, described as follows:

Beginning at a point in the northerly line of the strip of land allotted to the Southern Pacific Railroad Company by the Decree of Partition above mentioned, from which the southwest corner of Block "A" of the Town of Carpinteria, as shown on the plat thereof made by A. S. Cooper, recorded in the office of the County Recorder of said County, in Book 1 of Maps and Surveys, at Page 8-A, bears south 60° 21' east 60 feet, and running thence north 60° 21' west, along said northerly line, 22 chains; thence south 70° 30' east along county road 22.25 chains to the west line of Apple Street in said Town of Carpinteria; thence south 27° west along said line of Apple Street 4.10 chains to the point of beginning.

Value \$5,000.00

Parcel 2:

All that portion of the Rancho Jesus Maria, in the County of Santa Barbara, State of California, described as follows:

Value 279,000.00

(For metes and bounds description see Parcel 2 Schedule A(2), page 3-a)

Note* Parcels 1 and 2 are subject to the two deeds of trust described in Schedule A(2), held by Security-First National Bank of Los Angeles, Notes and deeds of trust dated June 15, 1934—

Principal amount	\$172,261.35
Advances	1,654.18
Accrued interest to Oct. 1, 1938.....	23,823.92
Foreclosure fees and expenses to	
Aug. 29, 1938.....	118.00

\$197,857.45

Dollars Cents

Parcel 3:

Lot 9, Blk 97, City of Santa Barbara, Value 1,500.00

Subject to delinquent taxes as set forth in Schedule A(1).

[31]

Schedule B(2)
Personal Property

A. Cash on hand—

Undeposited checks received from sale of crops. (In possession of Raymond R. Hails, 412 West. 6th St. Los Angeles, California)..... \$1,509.74

B. Bills of Exchange, promissory notes, or securities of any description, (each to be set out separately).

Four promissory notes executed by R. E. Bering in amount of \$300.00 each, payable April 5, 1937; May 5, 1937; June 5, 1937; July 5, 1937, respectively, interest at 6% per annum, payable at maturity:

Principal	\$1,200.00	
Accrued interest to October 5, 1938	99.00	1,299.00

C. Stock in trade in.....business ofat.....of the value of—None.

D. Household goods and furniture, household stores, wearing apparel and ornaments of the person, viz:

All located in England (claimed as exempt under Schedule 5)..... 200.0

[32]

Schedule B(2) Continued
Personal Property

E. Books, prints and pictures, viz:

All located in England (claimed as exempt in Schedule 5)..... \$25.0

- F. Horses, cows, sheep and other animals (with number of each), viz:—None.
- G. Carriages and other vehicles, viz:—None.
- H. Farming stock and implements of husbandry, viz:—None.

[33]

Schedule B(2) Continued
Personal Property

- I. Shipping and shares in vessels, viz:—None.
- K. Machinery, fixtures, apparatus and tools used in business, with the place where each is situated, viz:
Pumps, motors, pipe lines, surface pipe, wind-mills, etc., located on property described as Parcel 2 in Schedule B(1)..... \$3,000.00
- L. Patents, copyrights and trademarks, viz:—None.
- M. Goods or personal property of any other description, with the place where each is situated, viz:—None.

[34]

Schedule B(3)
Choses in Action

- A. Debts due petitioner on open account.—None.
- B. Stock in incorporated companies, interest in joint stock companies, and negotiable bonds.
88,891 shares of common stock Bear Creek Oil Co., a California corporation, (par value \$0.01 per share)..... 888.91
10 shares of common stock Lompoc Oil and Development Company, a California corporation, (par value 10¢ per share)..... 1.00
792 shares of common stock Lompoc Orena Land Co. (par value \$1.00 per share) a California corporation 792.00

Dollars Cents

1 share common stock American Crystal Sugar Co., a New Jersey corporation (par value \$10.00)	10.00
1 share of common stock Union Sugar Company	
C. Policies of Insurance—None.	
D. Unliquidated Claims of every nature with their estimated value.—None.	
E. Deposits of money in banking institutions and elsewhere.	
Security-First National Bank of Los Angeles, Santa Barbara Branch.....	981.86
Total.....	3,104.27
	[35]

Schedule B (4)

Property in Reversion, Remainder or Expectancy, Including Property Held in Trust for the Debtor or Subject to Any Power or Right to Dispose of or to Charge.

PARTICULAR DESCRIPTION

General Interest

Interest in land—None.

Personal property—None.

Property in money, stocks, shares, bonds, annuities, etc.—None.

Rights and powers, legacies and bequests—None.

Total—None.

Property heretofore conveyed for the benefit of Creditors—None.

What portion of Debtor's property has been conveyed by deed of assignment, or otherwise for benefit of creditors; date of such deed, name and ad-

dress of party to whom conveyed; amount realized therefrom, and disposal of same, so far as known to debtor—None.

What sum or sums have been paid to counsel, and to whom for services rendered or to be rendered in this Bankruptcy—None.

Amount realized from Proceeds of Property Conveyed—None. [36]

Schedule B (5)

A particular statement of the Property claimed as Exempt from the Acts of Congress relating to Bankruptcy, giving each item of Property and its valuation; and if any portion of it is Real Estate, its location, description and present use.

Military uniforms, arms and equipments.—None.

Property claimed to be exempt by State Laws; its valuation; whether real or personal; its description and present use; and reference given to the statute of the State creating the exemption.

Wearing apparel, personal ornaments, etc.

(Schedule B(2)-D)

Section 690.2—Code of Civil Procedure
Prints, pictures, etc.

(Schedule B(2)-E)

Section 690.2—Code of Civil Procedure
Real Property in England (Farm Property)

All those pieces of land and hereditaments situate in the Parish of Upminster in the

County of Essex known as Vale Farm House and described by the numbers 148 part, 189, 190, 200, 202 and 203 on the Ordnance Sheet printed and published by the Director General of the Ordnance Survey Office, Southampton, England.—£8375.

This property is charged by way of Mortgage to Miss N. M. Gibbs for £3012 as mentioned in Schedule A(2).

First all those pieces or parcels of land situate in the Parish of Upminster in the County of Essex England adjoining the road known as Bird Lane and being numbered 217 (Part) 218 (Part) and 226 on the Ordnance Survey Map printed and published by the Director General of the Ordnance Survey Office, Southampton, England.

And Secondly all that piece or parcel of land situate in the said Parish of Upminster known as Great Socketts at the junction of Bird Lane aforesaid and the road from Hornchurch to Warley Essex aforesaid and containing in the whole $7\frac{1}{2}$ acres or thereabouts.—£6625.0.

This property is charged by way of Mortgage to Mrs. Spoor for the amount of £4986 as mentioned in Schedule A(2). [37]

Schedule B (6)

Books, Papers, Deeds and Writings Relating to Bankrupt's Business and Estate.

The following is a true list of all books, papers, deeds and writings relating to my trade, business

dealings, estate and effects, or any part thereof, which at the date of this petition, are in my possession, or under my custody and control, or which are in the possession or custody of any person in trust for me, or for my use, benefit or advantage; and also of all others which have been heretofore, at any time, in my possession or under my custody or control, and which are now held by the parties whose names are hereinafter set forth, with the reason for their custody of the same.

Books

Books of account, bank statements, cancelled checks and other records pertaining to farming and other operations in the United States of America, are in possession of Raymond R. Hails, 412 West 6th St., Los Angeles, California—None.

Deeds

Deeds pertaining to properties in the United States are in possession of Raymond R. Hails, 412 West 6th St., Los Angeles, California—None.

Papers

All papers pertaining to farming and other operations in the United States of America are in possession of Raymond R. Hails, 412 West 6th St., Los Angeles, California—None.

ROSE PACKARD SHYVERS,

Petitioner.

OATH TO SCHEDULE B

Kingdom of England,
City of London—ss.

On this seventeenth day of October, A. D. 1938, before me, personally came Rose Packard Shyvers the person mentioned in and who subscribed to the foregoing schedule and who, being by me first duly sworn, did declare the said schedule to be a statement of all her estate, both real and personal, in accordance with the Acts of Congress relating to bankruptcy.

ALBERT E. DEWEY,

Notary Public in and for the City of London, Kingdom of England.

[Indorsed]: No. 32930-J Bkey Debtor's Petition with Schedules A and B filed Nov. 18, 1938. R. S. Zimmerman, Clerk, By M. J. Sommer, Deputy Clerk. [38]

[Title of District Court and Cause.]

NOTICE OF MOTION FOR DISMISSAL OF
PROCEEDINGS

To Rose Packard Shyvers and to John A. Jorgenson, Esquire, her attorney:

You and each of you will please take notice that Security-First National Bank of Los Angeles, a national banking association, a secured creditor of the said Rose Packard Shyvers, Debtor in the above-entitled matter, will, by and through its attorneys, Messrs. Thorpe & Bridges, on Monday, the 23d day

of January, 1939, at the hour of 10 o'clock a. m. of said day, or as soon thereafter as counsel can be heard, in the courtroom of the Honorable William P. James, at Room 582, Pacific Electric Building, Los Angeles, California, make a motion for an order of dismissal of the above-entitled proceeding.

Said motion will be made upon the following ground:

That Debtor, Rose Packard Shyvers, is not personally bona fide engaged primarily in farming operations, and that the principal part of her income is not derived from farming operations, within the purview of Section 75, subdivision (r) of the Bankruptcy Act; that, therefore, the Court has no jurisdiction of this proceeding.

Said motion will be based on the testimony heretofore taken before John Frame, Conciliation Commissioner in the above-entitled matter, and testimony to be further adduced before this Court or said Conciliation Commissioner to whom the matter may be [39] referred for hearing and report by the above-entitled Court; upon the records, papers and instruments now on file in the above-entitled matter, and upon this Notice of Motion.

Dated at Los Angeles, California, this 6th day of January, 1939.

THORPE & BRIDGES,
By ROANE THORPE,
Attorneys for Security-First
National Bank of Los An-
geles, a national banking as-
sociation.

ORDER OF REFERENCE

Good cause appearing from the foregoing Notice of Motion;

It is therefore ordered that said motion be referred to John Frame, Conciliation Commissioner in the above-entitled matter, to take evidence in support of and against said motion, and after the taking of such evidence to file his findings and report herein, so that a hearing thereon may be held before this Court on the day set in said Notice of Motion, to-wit, Monday, January 23, 1939.

Dated this 6 day of January, 1939.

WM. P. JAMES,

Judge [40]

POINTS AND AUTHORITIES

Point 1: A debtor who does not engage personally in the raising of products of the soil, does not live upon the land involved in the proceeding, and carries on no operation enumerated in sub-section (r) of Section 75 of the Bankruptcy Act, personally, is not a farmer within the meaning of said sub-section (r) of Section 75 of the Bankruptcy Act, and under such circumstances the Court has no jurisdiction under Section 75 of the Bankruptcy Act.

Authorities:

In re Olson

21 Fed. Supp. 504

In re Davis

22 Fed. Supp. 12

Sub-section (r) of Section 75 of the Bankruptcy Act of the United States of America

[Indorsed]: (Served) Filed Jan. 9, 1939. [41]

United States District Court, Southern District of
California, Central Division.

No. Bank. 32930-J

In the matter of

ROSE PACKARD SHYVERS,
Debtor.

OPINION AND ORDER OF THE COURT

Petitioner brought this proceeding under the Farm Relief Act on October 17, 1938. She asserted in her petition that she was "bona fide personally" engaged in producing products of the soil and dairy farming, also poultry or livestock. This to formally conform to the qualification definition of the law. Among other debts, she owes in excess of \$139,699 to Security-First National Bank of Los Angeles under trust deed security form. Total indebtedness shown by her petition is \$197,857.45. Real property owned is given a value of \$285,500.00.

Some other debts are owing, and personal property possessed, which in general estimate, offset each other.

The creditor Security-First National Bank petitions to dismiss the proceeding on the ground that petitioner is not a "farmer."

Testimony was taken before the Conciliation Commissioner and returned to the court, where counsel for the respective parties presented their argument.

It appears that petitioner is the owner of property consisting in total of 9300 acres of land. She is a resident of London, England, where she has resided continuously since the year 1932. As a housewife she lives with her husband, whose occupation is that of ship broker and [43] builder. The ranch property originally belonged to her father, long since deceased, who had lived on the ranch. Petitioner purchased distributive shares of others of the family at about the time of the World War and has since been the owner of the ranch. She was on the property for a time but, as stated, has resided in England (always her permanent residence) since 1932. The ranch property has, in so far as its character permitted such use, been farmed by lessee tenants and dairymen. A comparatively small part has returned some income as oil producing. Apparently, it is hoped that its oil possibilities will enable disposition of it and return sufficient money to more than satisfy the debts. The latter consideration is not involved in the matter of the motion at hand, but would be present were a motion to dis-

miss on the ground that no probability of successful composition under the Farm Act appears.

The question now is, can a landowner, who neither resides on the land nor resides within the United States, be considered as being "personally engaged in farming" as the Act requires? I am of the opinion that the facts of the case do not warrant the allowing of the privilege to a non-resident, who leases out her property and remains wholly away from it. She does not even supervise the leasing; that is done by agents and attorneys employed to represent her in this country.

For these reasons, I think the motion of the creditor named should be granted. It is so ordered and an exception is noted in favor of the petitioner Rose Packard Shyvers.

Dated January 31, 1939.

WM. P. JAMES,
U. S. District Judge.

[Indorsed]: Filed Jan. 31, 1939. [44]

[Title of District Court and Cause.]

NARRATIVE OF PROCEEDINGS HAD BEFORE CONCILIATION COMMISSIONER AND STIPULATION THEREON.

The first meeting of creditors pursuant to the filing of Debtor's petition herein and order thereon, was duly and regularly held before John Frame, Conciliation Commissioner, at the Santa Barbara

County Court House, Santa Barbara, California at 10:30 o'clock a. m. on Wednesday, December 14, 1938. H. W. Hart, an employee of the Security-First National Bank of Los Angeles, and Mr. Roane Thorpe, attorney for said bank, appeared on its behalf. Raymond R. Hails and John A. Jorgenson appeared as attorneys for Debtor.

Counsel for the bank filed with the Commissioner at said time a sworn statement of its claim against Debtor showing that at the time of the commencement of these proceedings there was due said bank from Debtor, and in default, a total sum of approximately \$200,000.00, represented largely by two promissory notes secured by two deeds of trust covering said ranch property, and true photostatic copies of said instruments were attached to said claim. Said claim was before the court at the time of the hearing of the motion and order from which the appeal herein is taken, and said verified claim by said bank shall be deemed to be before the court on appeal but need not be incorporated in the record to be prepared by the Clerk of the District Court and Transmitted to the Appellate Court, nor need the same be printed.

Upon the filing of such claim a discussion ensued between counsel for the bank, counsel for the Debtor, time. Counsel for the bank stated that he could not and the [45] Conciliation Commissioner in reference to agreeing upon some definite extension of consent to any definite extension without consulting his client, and for the purpose of affording such an opportunity and further discussion between such

counsel and counsel for Debtor, further proceedings before the Conciliation Commissioner were continued by stipulation and consent to Wednesday, January 11, 1939, at 10:30 a. m.

In the meantime, on January 6, 1939 counsel for said bank filed and served his Notice of Motion for Dismissal of Proceedings and Order of Reference Thereon, which appear in the record, and at such continued hearing at 10:30 a. m. on January 11, 1939 no further proceedings were had except the taking of the testimony of Raymond R. Hails, Attorney in Fact for Debtor, and Henry McGee, agent of Debtor.

The Commissioner thereupon caused the reporter to transcribe the proceedings had at both of said meetings and forwarded the same to the court, pursuant to such Order of Reference, and such transcripts were before the court on the hearing of said motion to dismiss. No further proceedings have been had before or taken by said Commissioner. The following is a narrative of such evidence. [46]

Narrative of Evidence

The transcripts of testimony taken before John Frame, Conciliation Commissioner, pursuant to the Order of Reference aforesaid, show that witnesses testified to the following facts (set out in this paragraph):

Petitioner is a resident of England; Raymond R. Hails is her attorney in fact; he obtained the first power in 1929 or 1930 and a second one in 1932.

He has been acting as her representative in this country under such powers. One Francis Price had preceded him as attorney in fact for petitioner. The ranch consists of approximately 9300 acres; approximately 650 to 750 acres are river-bottom land, most of which is under irrigation and the principal products from that portion of the ranch consist of alfalfa, sugar beets, mustard, beans, onions, some hay, but not much, and some grain. There are about 700 acres of what is called ocean front, land which slopes back from the ocean up to the mesa which is used part of the time for pasturage for a dairy, part of the time for raising hay and some smaller quantities of crops are grown thereon. There are approximately 200 or 300 acres of what is known as bench land which slopes back from the bottom-lands up to the mesa. This is mainly used for raising hay and for stock pasturage. In two canyons on the easterly end of the ranch there is a section of fifty acres of good farm land, not irrigated, on which beans, mustard and other crops are raised. There are other scattered parcels of bottom lands and bench lands which are farmed from time to time but not regularly. On the mesa there are perhaps three or four thousand acres of fairly level land in grasses which are used for pasturage only. The balance of the ranch is used for pasturage but is somewhat brush-covered, some parts quite heavily. The 650 or 700 acres of bottom-lands are customarily leased to two or three different tenants on a crop share basis. The tenant is required, except

in the case of beets, to deliver [47] the owner's share to a local warehouse but in the case of beets all are delivered to a beet dump of some sugar beet company which pays the tenant and owner separately. Mr. McGee attends to selling the petitioner's share and the proceeds are turned over to Mr. Hails. The alfalfa and grazing lands are rented on a cash basis and the proceeds are turned over by the tenants to Mr. McGee and by him to Mr. Hails. Two dairies are operated on the property, one by Singorelli Brothers at the easterly end of the ranch and their lease includes most of the mesa grazing lands and the alfalfa lands. Their lease includes some crop land which is not included in the cash rental. The other dairy is operated by a man named Dettamanti on the ocean front and he pays a cash rental. Mr. Hails deposits the monies received to petitioner's account. This ranch was originally owned by Albert Packard, father of petitioner. On his death, many years ago, it passed to his children who were petitioner, her brother, Will Packard, and three sisters, and thereupon Will Packard operated the ranch for the heirs up until his death in 1920 or 1921. During this period, after her father's death, petitioner purchased the interests of the other heirs and became the sole owner which she has been ever since. Will Packard resided on the ranch from 1892 to 1898 when he moved to the nearby town of Lompoc. Again he resided on the ranch between 1913 and 1916. When petitioner acquired the ranch

in 1921 or 1922, she was making her home in England where she resided with her husband. Every year since then she has come over to this country up to 1933. She stayed here from four to seven months each time, and, while here, she spent most of her time on the ranch. She had trees planted, irrigation wells dug, concrete lines laid, and was experimenting with different crops like artichokes, tobacco, asparagus, beans, beets, onions, and grain. She had windmills and buildings and outhouses repaired. McGee went on the ranch in 1916. He was a brother-in-law of Will Packard. Packard was farming the [48] part of the ranch that was under cultivation. McGee was his foreman, and they employed from twelve to fourteen men, and continued to farm in that way until December 1919, when Will Packard died. An administrator was appointed of his estate and said administrator appointed McGee manager of said ranch. At that time they leased to Union Sugar Company all the flat land planted to beets. They harvested the hay, hired the men, and sold it. After about July 1, 1920, they leased the beach front and all the mesa for a dairy and in 1921, when petitioner became the owner, she leased the bottom land to three different tenants and from that time to the present all the land has been leased to various tenants. McGee lived on the ranch from 1916 to 1924 when he moved into Lompoc which is situated about 8 miles from the ranch and he has resided in Lompoc ever since. There are five different sets of buildings on the

property an average of one mile apart. Since petitioner became the owner these buildings have been occupied by tenants or help. McGee has been resident manager for petitioner ever since she became the owner and still is. When petitioner came to this country her activity all centered about the ranch. She instructed McGee what was wanted done, and he followed her instructions. McGee picks out the tenants; he takes the matter up with Hails who draws the leases. He looks out for erosion on the river and sees to it that the farms hold the moisture by continuous cultivation before the crops are planted, and certain portions of the land are selected by him on which to plant beets or mustard. When the crop is planted and begins to grow, he sees to it that the weeds are kept down; sees to it that the beets are irrigated at the proper time. Proper irrigation is one of the most important things about a beet crop. Three or four days' delay in irrigation makes a big difference. He sees to it that the outhouses, barns, corrals, and fences are kept in repair and everything kept clean. When the crop is harvested, he sees to it that petitioner gets her proper share, not merely [49] in quantity, but quality. He sees to it that the crops are properly thrashed. The crops are hauled to a public warehouse and there cleaned, and he looks after that, and there petitioner's portion is set aside. He looks after the marketing of petitioner's share. He may let her share of the crops lie there a week or several weeks or months, and, when he thinks the

price is right, he disposes of it. He watches the markets closely. McGee devotes his whole time to this job. The tenants obey his instructions and the leases provide they shall; he keeps in touch with petitioner in England, by letter, as to what is going on when she is absent. McGee attends to making all arrangements with the government under agricultural laws. Petitioner owns the surface pipe used for irrigation and McGee sees to the proper distribution of the water among the tenants. He has never been in England and does not know of his own knowledge whether petitioner lives on a farm there. The gross production, in dollars, from the ranch from the foregoing operations since 1924, and the share received by petitioner, is as follows:

Year	Gross Production	Petitioner's Share
1924	\$68,112.50	\$20,223.50
1925	49,460.65	15,599.41
1926	49,109.59	17,133.20
1927	55,292.87	16,407.63
1928	103,924.25	20,490.13
1929	35,403.85	13,260.10
1930	50,967.38	11,662.03
1931	43,968.25	15,170.13
1932	26,729.27	5,573.47
1933	16,204.28	6,422.58
1934	21,669.01	6,637.58
1935	15,109.48	6,003.88
1936	13,861.78	5,764.32

In 1937 petitioner's gross income as her share from the land, amounted to \$8,944.62, which included \$2,301.75 oil rental. In 1938 petitioner's gross income from her share was \$6,370.27, but there are

approximately \$500 worth of crops belonging to her on the land not yet disposed of from that year. The taxes on the land have averaged around \$3,000 during the past six years, and for 1938-39 are approximately \$3,250. Mr. McGee, as resident [50] agent and superintendent has been receiving \$1800 a year as salary. The average expense for repairs is around \$150; the interest on the indebtedness to respondent bank is approximately \$10,000 per annum; insurance on the buildings amounts to about \$50 per annum and McGee's traveling expenses about \$50 a year. Hails has never received any salary. Petitioner has no other occupation than that of housewife. Her real estate in England is farm property. Hails has not discussed the situation with Debtor and it is merely hearsay. Her husband's principal occupation is ship-broker and builder in London. She has not been in the United States since early in 1933. Her principal income, in fact practically all of it, is derived from this ranch, and the foregoing operations. Mr. Hails as attorney in fact for Debtor does not operate or farm any of the Packard Ranch himself. Prior to 1932 Rose Packard Shyvers spent a great deal of time and activity in directing the ranch and investigating and experimenting with new crops. Since 1932, however, she has not been on the ranch herself, and, in fact, has been in England, where she had been making her permanent home since about 1922, and the ranch has been run by Mr. Hails and Mr. McGee. The whole ranch has been farmed by

tenants on either a cash rental basis or on a crop share basis since 1921, and, in addition, there are two dairies located on the ranch which pay a cash rental and also pay a crop share rental on crops they raise. Mr. McGee left the ranch in 1924 and has resided in Lompoc since that time. Mr. McGee has not heard from Rose Packard Shyvers for about six months. His duties as superintendent consist, among other things, of picking out the tenants and discussing them with Mr. Hails, who holds a power of attorney from Rose Packard Shyvers, and who draws the leases. There was no income from oil rentals in 1938, and no part of the ranch is producing any income from oil at the present time. Debtor has no income from property other than this ranch, in the United States. Debtor insisted at the hearing before Commissioner Frame aforesaid, and again [51] at the hearing of said motion before Judge James that, if the burden of proving Debtor was a farmer within the purview of the act, was on Debtor, a postponement should be had to take Debtor's deposition in England. Counsel for said Bank stated that such burden was on them.

STIPULATION

It is hereby stipulated and agreed that the foregoing narrative of proceedings had before Conciliation Commissioner Frame is a true and correct statement of such proceedings and a true narrative of the evidence offered and received.

Dated: March 24, 1939.

JOHN A. JORGENSEN

RAYMOND R. HAILS

Attorneys for Debtor

ROANE THORPE

Attorneys for Security-First

National Bank of Los An-

geles

[Indorsed]: Filed Mar. 28, 1939. [52]

[Title of District Court and Cause.]

PETITION FOR APPEAL AND RESTRAIN-
ING ORDER AND ORDER THEREON

To the District Court of the United States in and
for the Southern District of California, Central
Division:

The above named Rose Packard Shyvers, Debtor, now appears before this court, and complaining that she feels aggrieved by the order of this court, dated January 31, 1939, granting the motion of the Security-First National Bank of Los Angeles, a creditor, for a dismissal of this proceeding upon the ground that Debtor is not a farmer within the purview of Section 75 of the Bankruptcy Act, and that therefore this court has no jurisdiction, prays that this court allow an appeal therefrom to the United States Circuit Court of Appeals for the Ninth Circuit. This petition is accompanied by Debtor's Assignments of Error.

Said Debtor further prays that this court preserve the status quo until the final determination of the appeal, and that this court therefore grant Debtor an order restraining the Security-First National Bank of Los Angeles from proceeding with any sale, or proposed sale, of the real estate securing its claim under trust deeds until the final determination of said appeal.

Dated at Los Angeles, California this 8th day of February, 1939.

RAYMOND R. HAILS
JOHN A. JORGENSON

Counsel for Debtor

[Indorsed]: Filed Feb. 8, 1939. [53]

ORDER ON PETITION

The foregoing petition for appeal is hereby allowed upon Debtor filing a cost bond on appeal in the sum of \$250.00, and the petition for preservation of the status quo and restraining order pending determination of the appeal is allowed subject to the right of respondent to move to vacate the stay on sufficient showing.

Dated this 8th day of February, 1939.

WM. P. JAMES
United States District Judge

[Indorsed]: Filed Feb. 8, 1939. [54]

[Title of District Court and Cause.]

ASSIGNMENTS OF ERROR

Now comes the Debtor and in connection with her proposed appeal herein and petition for allowance of appeal, makes the following Assignments of Error:

I.

The court erred in granting the motion of the Security-First National Bank of Los Angeles for dismissal of this proceeding upon the alleged ground that Debtor is not a farmer within the purview of Section 75 of the Bankruptcy Act, and that therefore this court has no jurisdiction of this proceeding; and the court erred in ordering in connection with the granting of said motion the dismissal of this proceeding; Debtor claiming that the record effectually shows that Debtor is such farmer and that the court does have jurisdiction.

Dated at Los Angeles, California this 8th day of February, 1939.

RAYMOND R. HAILS

JOHN A. JORGENSON

Counsel for Debtor

[Indorsed]: Filed Feb. 8, 1939. [55]

[Title of District Court and Cause.]

NOTICE OF APPEAL

Notice is hereby given that the above named debtor, Rose Packard Shyvers, appeals to the United States Circuit Court of Appeals for the Ninth Circuit from that certain order of this court dated January 31, 1939, wherein and whereby it granted a motion of the Security-First National Bank of Los Angeles for dismissal of this proceeding upon the ground that said debtor was not a farmer within the purview of Section 75 of the Bankruptcy Act, and therefore this court had no jurisdiction to entertain this proceeding; and said debtor appeals from the whole of said order.

Dated at Los Angeles, California this 9th day of February, 1939.

RAYMOND R. HAILS

JOHN A. JORGENSEN

Counsel for Debtor

Copy mailed to Thorpe & Bridges, Attys. for Appellee, 2/9/39. E.L.S.

[Indorsed]: Filed Feb. 9, 1939. [57]

[Title of District Court and Cause.]

COST BOND ON APPEAL

Know All Men by These Presents:

That we, Rose Packard Shyvers, as principal and Henry McGee and Jessie L. Miner as sureties, are held and firmly bound unto the Security-First Na-

tional Bank of Los Angeles in the full and just sum of Two Hundred and Fifty Dollars (\$250.00) to be paid to said Security-First National Bank of Los Angeles, its certain attorney, executors, administrators, successors or assigns; to which payment well and truly to be made, we bind ourselves, our heirs, executors, administrators and successors, jointly and severally, by these presents.

Sealed with our seals and dated this 9th day of February in the year of our Lord One Thousand Nine Hundred and Thirty-nine.

Whereas, lately at the District Court of the United States for the Southern District of California, Central Division, in a proceeding depending in said Court, in which said Rose Packard Shyvers was the Debtor and Petitioner, and said Security-First National Bank of Los Angeles, a creditor, was Respondent, an order was made against said Rose Packard Shyvers on the 31st day of January, 1939, dismissing said proceeding, and the said Rose Packard Shyvers having obtained from said Court an order allowing an appeal to reverse said order in said proceeding, and a citation directed to the said Security-First National Bank of Los Angeles [58] citing and admonishing it to be and appear at a United States Circuit Court of Appeals for the Ninth Circuit to be holden at San Francisco in the State of California on March 10, 1939;

Now, the condition of the above obligation is such that if the said Rose Packard Shyvers shall prosecute said appeal to effect and answer all costs if she fails to make said plea good, then the above obliga-

tion to be void; else to remain in full force and virtue.

Acknowledged before me the day and year first above written.

ROSE PACKARD SHYVERS

Principal

By RAYMOND R. HAILS

Her Attorney in Fact

HENRY MCGEE

Surety

JESSIE L. MINER

Surety

[Seal] FERDINAND CASTAGNOLA

Notary Public in and for the County of Los Angeles, State of California.

United States of America
Southern District of California
County of Los Angeles—ss.

Henry McGee and Jessie L. Miner, being duly sworn, each for himself or herself, deposes and says: That he or she is a free holder in said District and is worth the sum of Five Hundred Dollars (\$500.00) exclusive of property exempt from execution, [59] and over and above all debts and liabilities.

HENRY MCGEE

JESSIE L. MINER

Subscribed and sworn to before me this 9th day of February, 1939.

[Seal] FERDINAND CASTAGNOLA

Notary Public in and for the County of Los Angeles, State of California.

Form of bond and sufficiency of sureties approved.

WM. P. JAMES

Judge

[Indorsed]: Filed Feb. 9, 1939. [60]

[Title of District Court and Cause.]

ORDER CLARIFYING RESTRAINING ORDER MADE FEBRUARY 8, 1939, AND PERMITTING SECURITY-FIRST NATIONAL BANK OF LOS ANGELES, A NATIONAL BANKING ASSOCIATION, TO COMPLETE ADVERTISING OF FORECLOSURE SALE UNDER DEEDS OF TRUST PENDING DETERMINATION OF APPEAL.

The motion of Security-First National Bank of Los Angeles, a national banking association, for an order clarifying an order heretofore made in the above-entitled matter, dated February 8, 1939, restraining the said Security-First National Bank of Los Angeles, a national banking association, from proceeding with a sale under either of the deeds of trust held by said Bank involved in these proceedings, and for a further order permitting said Security-First National Bank of Los Angeles, a national banking association, to complete its advertising of a sale under either of said deeds of trust, in accordance with law, pending the determination of the appeal in the above-entitled matter, came on duly and regularly for hearing before the Honorable William P. James, a Judge of the above-entitled

Court, in the Federal Building at Los Angeles, California, on Monday, the 13th day of March, 1939, John A. Jorgenson, Esquire, appearing as counsel for the debtor herein, and Roane Thorpe, Esquire, of Messrs. Thorpe & Bridges, appearing as counsel for Security-First National Bank of Los Angeles, a national banking association, and upon motion of the said Roane Thorpe, Esquire, and good cause appearing therefor;

It Is Hereby Ordered that the order made by this Court in [61] the above-entitled matter on the 8th day of February, 1939, restraining the Security-First National Bank of Los Angeles, a national banking association, from proceeding with any sale or proposed sale of the real estate covered by either of its deeds of trust until the final determination of the appeal herein, and preserving the status quo herein pending said appeal, be and the same is hereby clarified and amended so that the same shall not be interpreted as preventing and restraining, and the same shall not prevent or restrain said Security-First National Bank of Los Angeles, a national banking association, from proceeding to advertise and to complete the advertisement of a sale under either of said deeds of trust, in accordance with law, pending the determination of the appeal in the above-entitled matter.

It Is Hereby Further Ordered that Security-First National Bank of Los Angeles, a national banking association, be and it is hereby given permission to proceed forthwith to advertise a foreclosure sale under either of its deeds of trust covering the prop-

erty involved in this proceeding, in accordance with law, pending the determination of the appeal in the above-entitled matter.

It Is Hereby Further Ordered that, notwithstanding the permission in this order given to Security-First National Bank of Los Angeles, a national banking association, to advertise its proposed foreclosure sale of the property involved in this proceeding and covered by said deeds of trust, no sale of the whole or any part of said property shall be made by said Security-First National Bank of Los Angeles, a national banking association, or the Trustee named in said deeds of trust, pending the determination of the appeal in the above-entitled matter, and the date of any proposed sale set forth in any advertisement made under the terms and provisions of this order shall be postponed from time to time so that no sale shall take place thereunder until after the determination of [62] said appeal.

The deeds of trust referred to in this order are described as follows:

A deed of trust dated the 15th day of June, 1934, executed by Rose Packard Shyvers, also known as Rose Shyvers, as Trustor, to Los Angeles Trust & Safe Deposit Company, a California corporation, as Trustee for Security-First National Bank of Los Angeles, a national banking association, as Beneficiary, recorded on July 13, 1934, in Book 314 of Official Records, at Page 114, in the office of the County Recorder of Santa Barbara County, California.

A deed of trust dated the 15th day of June, 1934, executed by Rose Packard Shyvers, also known as Rose Shyvers, as Trustor, to Los Angeles Trust & Safe Deposit Company, a California corporation, as Trustee for Security-First National Bank of Los Angeles, a national banking association, as Beneficiary, recorded on July 13, 1934, in Book 312 of Official Records, at Page 147, in the office of the County Recorder of Santa Barbara County, California.

Dated at Los Angeles, California, this 15 day of March, 1939.

WM. P. JAMES

Judge of the United States
District Court.

Received a copy of the within this 14th day of March, 1939.

J. A. J.

Attorney for debtor.

[Indorsed]: Filed Mar. 15, 1939. [63]

[Title of District Court and Cause.]

DEBTOR'S AMENDED DESIGNATION OF
CONTENTS OF RECORD ON APPEAL

Now comes the debtor, Rose Packard Shyvers, by her attorneys, Raymond R. Hails and John A. Jorgenson, and for the purpose of designating the contents of the record on appeal herein pursuant to Rule 75 of "Rules of Civil Procedure for the Dis-

trict Courts of the United States", Section 36 of the new "General Orders in Bankruptcy", and related sections and laws, makes the following specifications for inclusion therein:

(1) Original petition of Rose Packard Shyvers, by her attorney, Raymond R. Hails, dated and filed in this court on or about October 15, 1938, together with those portions of the schedules attached thereto shown by the attached copy thereof. For the purpose of illustrating those portions which may be omitted we have crossed them out. Only those portions not so crossed out are to be included. Where portions are expressly indicated in the attached schedules as "Omitted", or other explanations are given, include such words or explanations though they do not appear on the original.

(2) Original Debtor's petition of Rose Packard Shyvers, dated on or about October 17, 1938, and filed in this court on or about the 18th day of November, 1938, together with those portions of the schedules attached thereto shown by the attached copy thereof. For the purpose of illustrating those portions which may be omitted we have crossed them out. Only those portions not so crossed out are to be included. Where portions are expressly [65] indicated in the attached schedules as "Omitted", or other explanations are given, include such words or explanations though they do not appear on the original.

(3) "Notice of Motion for Dismissal of Proceedings"; "Order of Reference"; and "Points and Au-

thorities'', constituting three sheets, filed in this court on or about the 6th day of January, 1939.

(4) Narrative statement of proceedings had before John Frame, Conciliation Commissioner, and narrative statement of evidence taken before said Commissioner pursuant to the Order of Reference aforesaid, to be given in the narrative form submitted herewith to which counsel have stipulated.

(5) Opinion and order of Hon. Wm. P. James, United States District Court Judge, dated January 31, 1939, and filed on or about that date.

(6) The Notice of Appeal with date of filing.

(7) The petition for and order allowing appeal; restraining order; and accompanying assignments of error, and cost bond.

(8) Order of the court allowing Debtor's petition and assignment thereof to Conciliation Commissioner.

(9) Citation on Appeal.

(10) Order modifying stay, dated March 15, 1939.

Dated this 24th day of March, 1939.

RAYMOND R. HAILS

JOHN A. JORGENSEN

Counsel for Debtor. [66]

[Indorsed]:

State of California

County of Los Angeles—ss.

John A. Jorgenson, being first duly sworn, deposes and says: that on March 25th, 1939, he served the

within Amended Designation on Roan Thorpe, attorney for Security-First Nat'l Bank by delivering to and leaving with him a true and correct copy thereof.

JOHN A. JORGENSEN

Subscribed and sworn to before me this March 28th, 1939.

[Seal] JESSIE L. MINER
Notary Public in and for said County.

[Indorsed]: Filed Mar. 28, 1939. [67]

[Title of District Court and Cause.]

CLERK'S CERTIFICATE

I, R. S. Zimmerman, Clerk of the District Court of the United States for the Southern District of California, do hereby certify the foregoing volume containing 69 pages, numbered from 1 to 69, inclusive, contains the original Citation and full, true and correct copies of debtor's Petition by her attorney; Approval of Debtor's Petition; Debtor's Petition; Notice of Motion for Dismissal of Proceedings and order of Reference thereon; Opinion of the Court; Narrative of Proceedings had before Conciliation Commissioner; Petition for Appeal; Order Allowing Appeal and Restraining Order; Assignments of Error; Notice of Appeal; Cost Bond on Appeal; Order Modifying Restraining Order; Amended Designation, and Order Extending Time to Docket Appeal, which constitute the record on appeal to the

United States Circuit Court of Appeals for the Ninth Circuit.

I Do Further Certify that the fees of the Clerk for comparing, correcting and certifying the foregoing record amount to \$9.05, and that said amount has been paid me by the Appellant herein.

In Testimony Whereof, I have hereunto set my hand and affixed the Seal of the District Court of the United States for the Southern District of California, this 12th day of April, in the year of our Lord One Thousand Nine Hundred and Thirty-nine, and of the Independence of the United States the One Hundred and Sixty-third.

[Seal]

R. S. ZIMMERMAN,

Clerk of the District Court of
the United States for the South-
ern District of California,

By EDMUND L. SMITH

Chief Deputy Clerk.

[Indorsed]: No. 9153. United States Circuit Court of Appeals for the Ninth Circuit. Rose Packard Shyvers, Appellant, vs. The Security-First National Bank of Los Angeles, Appellee. Transcript of Record Upon Appeal from the District Court of the United States for the Southern District of California, Central Division.

Filed April 13, 1939.

PAUL P. O'BRIEN,

Clerk of the United States Circuit Court of Appeals
for the Ninth Circuit.

United States Circuit Court of Appeals for the
Ninth Circuit.

No. 9153

In the Matter of

ROSE PACKARD SHYVERS,

Debtor.

APPELLANT'S CONCISE STATEMENT OF
POINTS AND DESIGNATION OF PARTS
OF RECORD TO BE PRINTED.

Now comes Rose Packard Shyvers, the debtor, petitioner, and appellant herein and for the purpose of complying with Rule 19, Subdivision 6 of this Court, makes the following statement of points on which she intends to rely on appeal and designates the parts of the record which she thinks necessary for the consideration thereof:

I.

Appellant refers to the Assignments of Error found in the District Court Clerk's record transmitted on appeal, being page 55 thereof and states that such assignments present the points on which appellant intends to rely on the appeal.

II.

Appellant refers to her Amended Designation of Contents of Record on Appeal filed with the District Court herein, being pages 65 and 66 in such record transmitted by the District Clerk and states that the matters designated therein are the parts of the re-

ord which appellant thinks necessary for the consideration of the appeal and the parts therefore which appellant requests the Clerk of this Court to print as and for the printed transcript on appeal.

Dated this 12th day of April, 1939.

RAYMOND R. HAILS

JOHN A. JORGENSON

Counsel for Debtor and
Appellant.

Received copy of the within Statement and Designation this 12 day of April, 1939.

THORPE & BRIDGES

Attorneys for Security-First
National Bank of Los Angeles.

[Indorsed]: Filed Apr. 13, 1939. Paul P.
O'Brien, Clerk.

No. 9153

United States
Circuit Court of Appeals
For the Ninth Circuit

ROSE PACKARD SHYVERS,

Appellant,

vs.

THE SECURITY-FIRST NATIONAL BANK OF
LOS ANGELES,

Appellee.

Appellant's Opening Brief

Upon Appeal from the District Court of the United States for
the Southern District of California, Central Division.

FILED

JUN 15 1939

PAUL P. O'BRIEN,

CLERK

RAYMOND R. HAILS and
JOHN A. JORGENSEN,
1321 Park Central Bldg.,
Los Angeles, California,
Attorneys for Appellant.

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United States
Circuit Court of Appeals
For the Ninth Circuit

ROSE PACKARD SHYVERS,

Appellant,

vs.

THE SECURITY-FIRST NATIONAL BANK OF
LOS ANGELES,

Appellee.

Appellant's Opening Brief

**Statement of the Pleadings and Facts Disclosing
Jurisdiction**

This is a proceeding under Section 75 of the Federal Bankruptcy Act Relating to Agricultural Compositions and Extensions.

On October 17, 1938, Appellant filed with the United States District Court at Los Angeles a "Debtor's Petition in the Proceedings Under Section 75 of the Bankruptcy

Act” through her attorney in fact, Raymond R. Hails. In it said attorney in fact represented that the Debtor was a resident of England and was absent there, and he executed and filed the petition in her behalf on that account, and that he was familiar with Debtor’s assets and liabilities in the United States, and to it were attached the usual bankruptcy schedules. In this petition said attorney in fact represented that he was forwarding to England a similar petition and schedules for execution by the Debtor there, in order that she might execute the petition and schedules personally and also set forth her properties outside the United States, and that as soon as said petitions and schedules were returned by the Debtor, they would be filed with the Clerk also. The supplemental and amendatory debtor’s petition and schedules were filed with the Clerk November 18, 1938. (Record, pp. 11 to 27.)

Pursuant to such petitions the District Court made its “Approval of Debtor’s Petition and Order of Reference” (Record, pp. 10-11) under which Debtor’s petition was approved and the matter assigned to John Frame, one of the Conciliation Commissioners in Bankruptcy of said Court, to take further proceedings therein as required by the Act.

On January 6, 1939, Appellee served and filed notice that on January 23, 1939, it would move for a dismissal of said proceedings, upon the following ground: “That Debtor, Rose Packard Shyvers, is not personally *bona fide* engaged primarily in farming operations and that the principal part of her income is not derived from farming operations within the purview of Section 75, Subdivision (r) of the Bank-

ruptcy Act; that, therefore, the Court has no jurisdiction of this proceeding.” At the same time the Court made an Order referring said motion to said Conciliation Commissioner to take evidence in support of and against the same and, after the taking of such evidence, to file his Findings and Report therein so that the hearing might be held on January 23. (Record, pp. 27-29.) Upon the hearing of the Motion the Court sustained the contention of Appellee and dismissed the proceedings. (Record, pp. 30-32.)

Section 75 (n) provides, among other things:

“In proceedings under this Section, except as otherwise provided herein, the jurisdiction and powers of the Courts, the title, powers, and duties of its officers, the duties of the farmer, and the rights and liabilities of creditors, and of all persons with respect to the property of the farmer and the jurisdiction of the Appellate Courts, shall be the same as if a voluntary petition for adjudication had been filed and a Decree of Adjudication had been entered on the day when the farmer’s petition, asking to be adjudged a bankrupt, was filed with the Clerk of Court or left with the Conciliation Commissioner for the purpose of forwarding same to the Clerk of Court.”

“The Circuit Courts of Appeals of the United States, in vacation, in chambers, and during their respective terms, as now or as they may be hereafter held, are hereby invested with the appellate jurisdiction from the several courts of bankruptcy in their respective jurisdictions in proceedings in bankruptcy, either interlocutory or final, and in controversies arising in proceedings in bankruptcy, to review, affirm, revise, or

reverse, both in matters of law and in matters of fact”.
(Section 24 (a) Federal Bankruptcy Act.)

Concise Statement of the Case Showing Questions Raised

It should be observed that Appellee made its motion upon the sole ground that the Debtor was not personally *bona fide* engaged primarily in farming operations and that the principal part of her income was not derived from farming operations within the purview of Section 75 (r) of the Bankruptcy Act and that, therefore, the Court had no jurisdiction of such proceedings. In connection with said Notice of Motion, respondent bank set forth as its “Points and Authorities” the following: “A Debtor who does not engage personally in the raising of products of the soil, does not live upon the land involved in the proceeding, and carries on no operation as enumerated in said sub-section (r) of Section 75 of the Bankruptcy Act, personally, is not a farmer within the meaning of said sub-section (r) of Section 75 of the Bankruptcy Act and under said circumstances the Court has no jurisdiction under Section 75 of the Bankruptcy Act.” In support of said points, in addition to said sub-section (r), it cited as sole authorities: *In re Olson*, 21 F. Sup. 504; and *In re Davis*, 22 F. Sup. 12. (Record, pp. 27-29.) The inquiry in the lower court, therefore, was limited to the specific grounds stated in such Notice of Motion.

Pursuant to the filing of the Petition and the Order of Reference thereon, the Conciliation Commissioner called a

meeting of the creditors at his office in Santa Barbara, California, for December 14, 1938. At that time Appellee appeared by an agent, H. W. Hart and its attorney, Roane Thorpe, Esquire, and Debtor appeared by her attorneys, Messrs. Hails and Jorgenson. Counsel for the bank filed with the Commissioner a sworn statement of its claim showing that at the time of the commencement of these proceedings there was due the bank from Debtor and in default a total sum of approximately Two Hundred Thousand Dollars (\$200,000) represented largely by two promissory notes secured by two deeds of trust covering the ranch property hereinafter described. Upon the filing of said claim a discussion ensued between counsel for the Debtor, representatives of the bank, and the Conciliation Commissioner in reference to agreeing upon some definite extension of time. Counsel for the bank stated that he could not consent to any definite extension without consulting his client and for the purpose of affording such an opportunity and further discussion between such counsel and counsel for Debtor, further proceedings before the Conciliation Commissioner were continued by Stipulation and Consent to January 11, 1939.

In the meantime Appellee filed and served its Notice of Motion aforesaid, and at said continued hearing on January 11, 1939, no further proceedings were had except the taking of the testimony of Raymond R. Hails, attorney in fact for Debtor, and Henry McGee, agent of the Debtor. The Commissioner thereupon caused the reporter to transcribe the proceedings had at both of said meetings and for-

ward same to the Court pursuant to the Order of Reference in relation to the Motion, and such transcripts were before the Court on the hearing of said Motion to Dismiss. No further proceedings have been had before or taken by said Commissioner. (Record, pp. 32-34.)

It may be said, since Appellee relies solely upon Debtor's petitions and testimony by her agents, that there is no conflict in the evidence. The stipulated "Narrative of Evidence" contains the following statement (just below the middle of Record, p. 40): "Her principal income, in fact practically all of it, is derived from this ranch, and the foregoing operations." This statement, in conjunction with the "Points and Authorities" submitted by Appellee on its motion, shows conclusively, as the fact is, that Appellee relied in the lower Court, and must rely here, solely upon the proposition that Debtor does not come within the purview of the Act because, as Appellee states in such "Points and Authorities," she "does not engage *personally* in the raising of products of the soil, does not live upon the land involved in the proceeding, and carries on no operation (*personally*) as enumerated in said sub-section (r) . . ." (Emphasis and the word "personally" in parentheses supplied.) In other words Appellee claims that, though Debtor derives her principal income, in fact practically all of it, from products of the soil, produced on her farm through cash and crop rentals from tenants superintended by her manager, she does not come within the purview of the Act because she does not live on the land and does not herself personally plough and cultivate it, plant it to crops, and harvest it.

Specification by Number of Assigned Errors Relied Upon

Only one assignment of error is made. It appears on page 44 of the record and is set forth in full *infra*.

Argument

ASSIGNMENT OF ERROR: *The Court erred in granting the Motion of Security-First National Bank of Los Angeles for dismissal of this proceeding upon the alleged ground that Debtor is not a farmer within the purview of Section 75 of the Bankruptcy Act and that, therefore, this Court has no jurisdiction of this proceeding; and the Court erred in ordering in connection with the granting of said Motion the dismissal of this proceeding; Debtor claiming that the record effectually shows the Debtor is such farmer and that the Court does have jurisdiction.*

The parties reduced the evidence taken before the Conciliation Commissioner to narrative form and stipulated to its correctness. (Record, pp. 34 through 41.) In addition to such narrative there was before the Court such evidence as is furnished by the two verified Debtor's petitions. (Record, pp. 3-27.)

The petitions and schedules show, so far as relevant here, that Debtor resides at 36 A Kensington Park Road of Notting Hill Gate (street, city) London, W. 11 (in the County of..... and District and State of England). Debtor alleges that she is primarily *bona fide* personally engaged in producing products of the soil or that the principal

part of her income is derived from farming operations as follows: That the principal part of her income is derived from cash rentals and the proceeds from the sale of crop share rentals derived from the so-called Packard Ranch more particularly described in Schedule B (1); that such operations occur in the County of Santa Barbara; that she is insolvent or unable to meet her debts as they mature and that she desires to effect a composition or extension of time to pay her debts under Section 75 of the Bankruptcy Act. It appears from the schedules that she owes about \$255,000.00 of which approximately \$200,000.00 is due Appellee, secured by trust deeds on the Packard Ranch consisting of 9300 acres in Santa Barbara County, California. Of the balance about \$3,400.00 are taxes constituting a lien upon said ranch; \$40,000.00 secured by what she describes as "real farm property" in England; and about \$12,000.00 is unsecured. The total value of Debtor's assets is alleged to be approximately \$370,000.00 of which the Packard Ranch is \$284,000.00, "real farm property" in England \$70,000.00, a lot in Santa Barbara \$1,500.00, and personal property approximately \$3,000.00.

The following, taken from pages 34 through 41 of the record is the

“Narrative of Evidence

“The transcripts of testimony taken before John Frame, Conciliation Commissioner, pursuant to the Order of Reference aforesaid, show that witnesses testified to the following facts (set out in this paragraph):

“Petitioner is a resident of England; Raymond R. Hails is her attorney in fact; he obtained the first power in 1929 or 1930 and a second one in 1932. He has been acting as her representative in this country under such powers. One Francis Price had preceded him as attorney in fact for petitioner. The ranch consists of approximately 9300 acres; approximately 650 to 750 acres are river-bottom land, most of which is under irrigation and the principal products from that portion of the ranch consist of alfalfa, sugar beets, mustard, beans, onions, some hay, but not much, and some grain. There are about 700 acres of what is called ocean front, land which slopes back from the ocean up to the mesa which is used part of the time for pasturage for a dairy, part of the time for raising hay and some smaller quantities of crops are grown thereon. There are approximately 200 or 300 acres of what is known as bench land which slopes back from the bottom-lands up to the mesa. This is mainly used for raising hay and for stock pasturage. In two canyons on the easterly end of the ranch there is a section of fifty acres of good farm land, not irrigated, on which beans, mustard and other crops are raised. There are other scattered parcels of bottom lands and bench lands which are farmed from time to time but not regularly. On the mesa there are perhaps three or four thousand acres of fairly level land in grasses which are used for pasturage only. The balance of the ranch is used for

pasturage but is somewhat brush-covered, some parts quite heavily. The 650 or 700 acres of bottom-lands are customarily leased to two or three different tenants on a crop share basis. The tenant is required, except in the case of beets, to deliver [47] the owner's share to a local warehouse but in the case of beets all are delivered to a beet dump of some sugar beet company which pays the tenant and owner separately. Mr. McGee attends to selling the petitioner's share and the proceeds are turned over to Mr. Hails. The alfalfa and grazing lands are rented on a cash basis and the proceeds are turned over by the tenants to Mr. McGee and by him to Mr. Hails. Two dairies are operated on the property, one by Singorelli Brothers at the easterly end of the ranch and their lease includes most of the mesa grazing lands and the alfalfa lands. Their lease includes some crop land which is not included in the cash rental. The other dairy is operated by a man named Dettamanti on the ocean front and he pays a cash rental. Mr. Hails deposits the monies received to petitioner's account. This ranch was originally owned by Albert Packard, father of petitioner. On his death, many years ago, it passed to his children who were petitioner, her brother, Will Packard, and three sisters, and thereupon Will Packard operated the ranch for the heirs up until his death in 1920 or 1921. During this period, after her father's death, petitioner purchased the interests of the other heirs and became the sole owner which she has been ever since. Will Packard resided on the ranch from 1892 to 1898 when he moved to the nearby town of Lompoc. Again he resided on the ranch between 1913 and 1916. When petitioner acquired the ranch in 1921 or 1922, she was making her home in England where she resided with

her husband. Every year since then she has come over to this country up to 1933. She stayed here from four to seven months each time, and, while here, she spent most of her time on the ranch. She had trees planted, irrigation wells dug, concrete lines laid, and was experimenting with different crops like artichokes, tobacco, asparagus, beans, beets, onions, and grain. She had windmills and buildings and outhouses repaired. McGee went on the ranch in 1916. He was a brother-in-law of Will Packard. Packard was farming the [48] part of the ranch that was under cultivation. McGee was his foreman, and they employed from twelve to fourteen men, and continued to farm in that way until December 1919, when Will Packard died. An administrator was appointed of his estate and said administrator appointed McGee manager of said ranch. At that time they leased to Union Sugar Company all the flat land planted to beets. They harvested the hay, hired the men, and sold it. After about July 1, 1920, they leased the beach front and all the mesa for a dairy and in 1921, when petitioner became the owner, she leased the bottom land to three different tenants and from that time to the present all the land has been leased to various tenants. McGee lived on the ranch from 1916 to 1924 when he moved into Lompoc which is situated about 8 miles from the ranch and he has resided in Lompoc ever since. There are five different sets of buildings on the property an average of one mile apart. Since petitioner became the owner these buildings have been occupied by tenants or help. McGee has been resident manager for petitioner ever since she became the owner and still is. When petitioner came to this country her activity all centered about the ranch. She instructed McGee what was wanted done, and he fol-

lowed her instructions. McGee picks out the tenants; he takes the matter up with Hails who draws the leases. He looks out for erosion on the river and sees to it that the farms hold the moisture by continuous cultivation before the crops are planted, and certain portions of the land are selected by him on which to plant beets or mustard. When the crop is planted and begins to grow, he sees to it that the weeds are kept down; sees to it that the beets are irrigated at the proper time. Proper irrigation is one of the most important things about a beet crop. Three or four days' delay in irrigation makes a big difference. He sees to it that the outhouses, barns, corrals, and fences are kept in repair and everything kept clean. When the crop is harvested, he sees to it that petitioner gets her proper share, not merely [49] in quantity, but quality. He sees to it that the crops are properly thrashed. The crops are hauled to a public warehouse and there cleaned, and he looks after that, and there petitioner's portion is set aside. He looks after the marketing of petitioner's share. He may let her share of the crops lie there a week or several weeks or months, and, when he thinks the price is right, he disposes of it. He watches the markets closely. McGee devotes his whole time to this job. The tenants obey his instructions and the leases provide they shall; he keeps in touch with petitioner in England, by letter, as to what is going on when she is absent. McGee attends to making all arrangements with the government under agricultural laws. Petitioner owns the surface pipe used for irrigation and McGee sees to the proper distribution of the water among the tenants. He has never been in England and does not know of his own knowledge whether petitioner lives on a farm there. The gross production, in dollars, from the ranch

from the foregoing operations since 1924, and the share received by petitioner, is as follows:

Year	Gross Production	Petitioner's Share
1924	\$68,112.50	\$20,223.50
1925	49,460.65	15,599.41
1926	49,109.59	17,133.20
1927	55,292.87	16,407.63
1928	103,924.25	20,490.13
1929	35,403.85	13,260.10
1930	50,967.38	11,662.03
1931	43,968.25	15,170.13
1932	26,729.27	5,573.47
1933	16,204.28	6,422.58
1934	21,669.01	6,637.58
1935	15,109.48	6,003.88
1936	13,861.78	5,764.32

In 1937 petitioner's gross income as her share from the land, amounted to \$8,944.62, which included \$2,301.75 oil rental. In 1938 petitioner's gross income from her share was \$6,370.27, but there are approximately \$500 worth of crops belonging to her on the land not yet disposed of from that year. The taxes on the land have averaged around \$3,000 during the past six years, and for 1938-39 are approximately \$3,250. Mr. McGee, as resident [50] agent and superintendent has been receiving \$1800 a year as salary. The average expense for repairs is around \$150; the interest on the indebtedness to respondent bank is approximately \$10,000 per annum; insurance on the buildings amounts to about \$50 per annum and McGee's traveling expenses about \$50 a year. Hails has never received any salary. Petitioner has no other occupation than that of housewife. Her real estate in

England is farm property. Hails has not discussed the situation with Debtor and it is merely hearsay. Her husband's principal occupation is ship-broker and builder in London. She has not been in the United States since early in 1933. Her principal income, in fact practically all of it, is derived from this ranch, and the foregoing operations. Mr. Hails as attorney in fact for Debtor does not operate or farm any of the Packard Ranch himself. Prior to 1932 Rose Packard Shyvers spent a great deal of time and activity in directing the ranch and investigating and experimenting with new crops. Since 1932, however, she has not been on the ranch herself, and, in fact, has been in England, where she had been making her permanent home since about 1922, and the ranch has been run by Mr. Hails and Mr. McGee. The whole ranch has been farmed by tenants on either a cash rental basis or on a crop share basis since 1921, and, in addition, there are two dairies located on the ranch which pay a cash rental and also pay a crop share rental on crops they raise. Mr. McGee left the ranch in 1924 and has resided in Lompoc since that time. Mr. McGee has not heard from Rose Packard Shyvers for about six months. His duties as superintendent consist, among other things, of picking out the tenants and discussing them with Mr. Hails, who holds a power of attorney from Rose Packard Shyvers, and who draws the leases. There was no income from oil rentals in 1938, and no part of the ranch is producing any income from oil at the present time. Debtor has no income from property other than this ranch, in the United States. Debtor insisted at the hearing before Commissioner Frame aforesaid, and again [51] at the hearing of said motion before Judge James that, if the burden of proving

Debtor was a farmer within the purview of the act, was on Debtor, a postponement should be had to take Debtor's deposition in England. Counsel for said Bank stated that such burden was on them.

“Stipulation

It is hereby stipulated and agreed that the foregoing narrative of proceedings had before Conciliation Commissioner Frame is a true and correct statement of such proceedings and a true narrative of the evidence offered and received.”

The District Court apparently dismissed the proceedings upon the sole ground that petitioner is not “personally” primarily engaged in farming, and ignores the statutory alternative of deriving the principal part of her income from the specified operations. That the latter is an alternative is clearly recognized by the 9th Circuit Court of Appeals (*In re Moser*, decided April 13, 1938, 95 F. 2nd 944), and by the Supreme Court (*First Nat'l v. Beach*, 301 U. S. 435, 57 S. Ct. 801, 81 L. Ed. 1206). And as to whether petitioner comes under the first half of the definition, respondent relies solely upon *In re Olson*, 21 F. Sup. 504, and *In re Davis*, 22 F. Sup. 12, decided by the same District Judge in Iowa; while we have, in addition to the two cases mentioned heretofore, *In re Wright's Estate*, 17 F. Sup. 908, (D. C. Louisiana,) and *In re Shonkwiler*, 17 F. Sup. 697 (D. C. Illinois), to the contrary.

The Bankruptcy Act expressly provides that Courts have power to adjudge bankrupts person “who do not have their

principal place of business, reside, or have their domicile *within the United States*, but have property within their jurisdictions.” (Sec. 2a (1)).

Sec. 75 (r) defines “farmer” as including “not only an individual who is *primarily bona fide personally engaged* in producing products of the soil but also any individual who is *primarily bona fide personally engaged* in dairy farming, the production of poultry or livestock, or the production of poultry products or livestock products in their unmanufactured state, or the *principal part of whose income* is derived *from any one or more of the foregoing operations . . .*, and a farmer shall be deemed a resident of any county in which such operations occur.”

If the italicized words “from any one or more of the foregoing operations” relate back to and include the specified operations by one “*primarily bona fide personally engaged*” therein, then the second half of the definition relating to the words “principal part of whose income” becomes meaningless. For such a person so deriving the principal part of his income would already be under the first half covering one who is “*primarily bona fide personally engaged*” in such operations. Besides the last phrase reciting that “a farmer shall be deemed a resident of any county in which such operations occur” contemplates his actual residence elsewhere than on the farm.

In the *Moser* and *First National v. Beach* cases (*supra*), the 9th C. C. A., and the Supreme Court did not segregate and weigh the amount of income derived by the debtor from his *personal* operations against that derived from

leasing. Their relative amount was deemed immaterial. Hence, the words “principal part of whose income” does not relate back to the farmer’s *personal* operations.

The construction, contended for by respondent Bank, is thus rejected in the words of Mr. Justice Cardozo (*First Nat. Bank v. Beach, supra*):

“Was respondent a farmer because ‘personally *bona fide* engaged primarily in farming operations,’ or because ‘the principal part of his income was derived from farming operations’? We do not try to fix the meaning of either of the two branches of this definition, considered in the abstract. The two are not equivalents. They were used by way of contrast. Occasions must have been in view when the receipt of income derived from farming operations would make a farmer out of some one who personally or primarily was engaged in different activities.”

But aside from these authorities, let us consider the matter from another standpoint. If a farmer lives on his land and does all the work himself, he certainly is “primarily *bone fide* personally engaged” in the production specified. Suppose, however, that he does not do all the work himself, but hires help. Is he any less a “farmer” within the definition? Suppose he does none of the work himself, but hires servants to do it all, and merely superintends the operations. Does he lose his status as “personally engaged”? If not, just where is the difference between one who conducts such operations thru servants and one who does so thru lessees, especially where, as here, the lessor directs the lessees? And if a farmer resided on his land,

did none of the work himself, hired all help, and kept a foreman to whom the farmer gave orders and by whom all orders were given to the servants, would the debtor be any less a "farmer"? And in just what respect does residence count? If the debtor who did all the work on his farm himself, did not live on it, but in some nearby village, would he be any less a farmer?

As we view it, residence of the debtor is of no consequence of itself. If he does not live on the farm, but in town, it may give rise to proof that he has a vocation other than farming; but that is all. So "personally engaged" does not necessarily mean that the debtor does all the work, or any work. He may be just as much a "farmer" if he gets the work done thru servants or lessees.

This last argument relates wholly, however, to the first half of the definition: is the petitioner "primarily *bona fide* personally engaged"? It has nothing to do with the second half. We confidently believe that petitioner comes under both alternatives.

It should be pointed out that Section 75 (r) originally defined a farmer as one personally primarily engaged *bona fide* in "farming operations" or the principal part of whose income came from "such operations." By an amendment effective May 15, 1935, the quoted words "farming operations" were changed to "in producing products of the soil."

For an excellent review of all the cases on the subject up to April 15, 1936 involving those before and after the amendment see: *Matter of Reidling* (D. C. Ohio) 33 American Bankruptcy Reports, New Series 773.

The case of *First National Bank vs. Beach*, *supra*, from the opinion in which by Mr. Justice Cardoza we have already quoted, was also before the Second Circuit Court of Appeals (*Matter of Beach*, 86 Fed. (2d) 88 decided November 9, 1936). Beach was there, as subsequently by the Supreme Court, held to be a farmer, though there by a divided Court. Mr. Justice Learned Hand, writing the majority opinion, gives some interesting observations on the construction involved here with reference to both branches of the definition:

“In spite of the fact that he gave most of his time to working his farm, we think that Beach was not ‘primarily . . . personally engaged’ in farming. He would not have been so regarded before the amendment of Section 75, and we see no reason to impute another meaning to such nearly identical language as it contains. *Swift vs. Mobley*, 28 Fed. (2d) 610 (C. C. A. 5); *In re Spengler*, (D. C.) 238 Fed. 862; *In re McMurray*, (D. C.) 8 Fed. Supp. 4492; *In re Weis*, (D. C.) 10 Fed. Supp. 227. Again, it was also settled that a person who lived on income derived from a farm was not a farmer under Section 4 (b), as amended (11 U. S. C. A. Sec. 22 (b) *In re Glass*, 53 Fed. (2d) 844 Supp. (C. C. A.); *In re Matson*, (D. C.) 123 Fed. 743; *In re Driver*, (D. C.) 252 Fed. 956; *In re Brown*, (D. C.) 284 Fed. 899). Sec. 75 (r) as amended (11 U. S. C. A. Sec 203 (r)) certainly meant to broaden the class, by contrasting those ‘personally *bona fide* engaged’ in husbandry with those who merely drew their personal income from it. It seems to us either that ‘personally’ must mean ‘without any assistance’ or that the second clause includes those

who live by rents from the farm operations of tenants. We reject the first alternative; a man is no less a farmer because he hires laborers either regularly or sporadically; he is 'personally' engaged in farming, though being in possession, he rides his acres and superintends the manual labor of others. On the other hand, it is certainly a gross abuse of words to call that man a farmer, who merely lives upon the yields of farm lands; nor can we see that this is much bettered by confining the clause to leases in which the tenant pays in kind. Nevertheless, notwithstanding the violence done to ordinary uses, we can not escape the literal meaning of the words chosen. Such a result does not, moreover, violate the probabilities as much as one might at first blush suppose. The occasion for the legislation was the collapse of farm values. Following upon the depression, and indeed preceding it, there was a large class who had rented their farms to others; but who were as dependent upon the yield as though they worked the land themselves as they usually had done originally. These people were originally in the same class as those who actually farmed; it is not unreasonable to ascribe to Congress an intention to succor them with the rest. Mortgagees may, indeed, be outside the class, even though the interest be in fact paid out of the earnings of the mortgaged farm; we have not such a case before us. Nor need we hold that the lessor of a farm is within the clause, if the lessee pays the rent from other sources than his own farm. But when the Debtor's personal income in fact comes out of the land, we find it impossible to give reasonable effect to the language used unless we call him a farmer. No Circuit Court of Appeals has passed upon

the point; the only District Court opinion which does so is *In re Hilliker*, 9 Fed. Supp. (Judge Wm. P. James, California) 948. The judge there appears to have taken the other view, though it was not necessary to the decision; but we can not agree that the scope which he leaves to the clause, fills out the full measure of its meaning.”

In considering this question, it must be borne in mind that we reserved the right to insist on the deposition of petitioner. There seems to be no authority with reference to the burden of proof. Respondent Bank’s counsel conceded he had that burden. (Record, p. 41, just before Stipulation.) For all we know, petitioner may reside at times on a farm in England, and actually plow the fields and plant and harvest the crops there.

Respectfully submitted,

RAYMOND R. HAILS,
JOHN A. JORGENSEN,
Counsel for Appellant.

Supplement on Restraining Order

At the time of the appeal here, the trial Court made its order preserving the status quo pending appeal. (Record, p. 43.)

Thereafter appellee made application to “clarify” said order, and pursuant thereto, the trial Court made its order (R., p. 48) permitting appellee to advertise the property for sale in the usual manner of trust deed foreclosures. However it was provided (R., p. 50) “no sale of the whole or any part of said property shall be made by said Security-First National Bank of Los Angeles . . . , or the Trustee named in said deeds of trust, pending the *determination* of the appeal in the above in the above-entitled matter, and the date of any proposed sale set forth in any advertisement made under the terms and provisions of this order shall be postponed from time to time so that no sale shall take place thereunder until after the “*determination* of said appeal.”

The usual three months notice of default had been given at the time of the filing of the petitions herein. By reason of said modified order on the stay, the appellee advertised the property for sale for April 13, 1939. On that date the sale was postponed to May 18th, and on that date to June 8th. And so, we presume, it will continue to be postponed.

Section 75 (o) of the Bankruptcy Act provides:

“Except upon petition made to and granted by the judge after hearing and report by the conciliation commissioner, the following proceedings shall not be in-

stituted, or if instituted at any time prior to the filing of a petition under this section, shall not be maintained, in any court or otherwise, against the farmer or his property, at any time after the filing of the petition under this section, and *prior to the confirmation or other disposition of the composition or extension proposal by the court*" etc.

No "composition or extension proposal" has ever been submitted to the trial court. That was effectually prevented by the proceedings for dismissal. It is doubtful if the trial court had power under this section to permit the advertisement.

But however that may, or whatever may be the effect of a sale had contrary to the provisions of Section 75 (o), we sit, so far as the trial court's modified stay order is concerned, on the very verge of a precipice. In the event of an adverse decision of this Court, appellee may, on receiving a notice of the decision, feel that the appeal has been "determined." If the sale date is conveniently close to the day of such "determination," we may find that the sale has actually taken place without an opportunity to petition this court for rehearing, or seek a review in the Supreme Court.

Respectfully submitted,

RAYMOND R. HAILS,
JOHN A. JORGENSEN,
Counsel for Appellant.

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

19

ROSE PACKARD SHYVERS,

Appellant.

vs.

SECURITY-FIRST NATIONAL BANK OF LOS ANGELES,
a national banking association,

Appellee.

APPELLEE'S BRIEF.

THORPE & BRIDGES,
1114 Pacific Southwest Building, Los Angeles,
Counsel for Appellee.

FILED

AUG 14 1939

PAUL P. O'BRIEN,
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No. 9153.

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

ROSE PACKARD SHYVERS,

Appellant.

vs.

SECURITY-FIRST NATIONAL BANK OF LOS ANGELES,
a national banking association,

Appellee.

APPELLEE'S BRIEF.

Additional Statement of Facts.

Appellee concedes the correctness of the statement of the pleadings and facts disclosing jurisdiction contained in appellant's opening brief, when read in connection with the narrative of evidence printed in said brief from pages 9 to 15 thereof.

**Concise Statement of the Case Showing Questions
Raised.**

Appellee concedes the correctness of the concise statement of the case showing questions raised in appellant's brief.

Argument.

Appellant asserted in her petition that she was bona fide personally engaged in producing products of the soil and dairy farming, also poultry or livestock. It is conceded that she is a resident of London, England, where she has resided continuously since about the year 1932, as a housewife, with her husband, whose occupation is that of a ship broker and builder. The ranch property involved has, in so far as its character permitted such use, been farmed by lease tenants and dairymen. The question is, can a landowner who neither resides on the land nor resides within the United States, be considered as being personally engaged in farming, as the act requires, and can the benefits of the act be availed of by one who is a non-resident, and who leases out her property and remains wholly away from it, not even supervising the leasing, that being done by agents and attorneys employed to represent her in the United States? Appellee respectfully submits that section 75 subdivision (r) of the Bankruptcy Act was never intended to embrace such class of persons.

In the case of *In re Moser*, 95 Fed. (2d) 944, decided by the Ninth Circuit Court of Appeals, the debtor was not a non-resident but visited the ranch two to three times a month and during harvesting season, lived there consistently, and while there personally engaged in farming work, such as harrowing, plowing, pruning and harvesting.

In the case of *First National Bank & Trust Co. Trustee v. Beach*, 301 U. S. 435, 57 S. Ct. 801, cited by appellant, the Supreme Court stated:

“In every case the totality of the facts is to be considered and appraised.”

In the case of *In re Olson*, 21 Fed. Supp. 504, the court said in part as follows:

“The first clause of subsection (4) of section 75 provides: ‘The term “farmer” includes not only an individual who is primarily bona fide personally engaged in producing products of the soil,’ then continues a description of other activities in which debtor in this case makes no pretense of being engaged. The debtor in this case resides permanently in the city of East Moline, Ill., and the evidence shows that substantially all of his time is devoted to activities other than producing products of the soil. So far as the East farm is concerned his status is that of a landlord without any qualifications. The case is not similar to *First National Bank & Trust Co. v. Beach*, 301 U. S. 435, 57 S. Ct. 801, 804, 81 L. Ed. 1206, where the debtor resided upon the farm and personally devoted his labor to producing products of the soil and rented a part to others. Mr. Justice Cardozo in that case said: ‘The picture, however, is distorted if Beach is looked upon as a landlord with rentals unrelated to his primary vocation. His rentals like his labor smacked of the soil, and make him not less, but more a farmer than he would have been without them.’ In the case at bar the debtor’s labor is primarily not devoted to the products of the soil. He does not live upon the land, but hundreds of miles away in another state. It is true that he causes the West farm to be operated by a hired man, but such operation is not in the usual course. The farm is not equipped in the ordinary manner with livestock. Crops are not rotated nor the products of the land diversified. Except for a period during the spring months and again in the fall no one devotes time to labor on the farm. The revenues the debtor receives

from the West farm, over and above the rentals to retain possession, are not devoted to keeping up the farm nor to prevent depreciation, nor to the payment of interest, taxes, or insurance. The operation of the West farm by the debtor under his lease with the receiver is decidedly a 'milking' process only.

I therefore conclude that the debtor is not an 'individual who is primarily bona fide personally engaged in producing products of the soil.'

The second question then arises: Is debtor one 'the principal part of whose income is derived from any one or more' of the operations described in subsection (r) of section 75? The words, 'foregoing operations' seem to be the crux of this matter. A careful reading of subsection (r) I think discloses that every operation enumerated to be engaged in by the individual is a personal operation. I therefore conclude that, by the same token which controls the conclusion under the first clause, the debtor is not one the principal part of whose income is derived from bona fide personal engagement in producing products of the soil."

In the case of *In re Davis*, 22 Fed. Supp. 12, the court says in part as follows:

"The debtor evidently bases her contention for jurisdiction of this Court upon the provisions of section 75, subdivision (r) of the Bankruptcy Act, as amended, 11 U. S. C. A., section 203(r). That subdivision is in the following language:

"For the purposes of this section, section 22 (b), and section 202, the term 'farmer' includes not only an individual who is primarily bona fide personally engaged in producing products of the soil, but also any individual who is primarily bona fide personally en-

gaged in dairy farming, the production of poultry or livestock, or the production of poultry or livestock products in their unmanufactured state, or the principal part of whose income is derived from any one or more of the foregoing operations, and includes the personal representative of a deceased farmer; and a farmer shall be deemed a resident of any county in which such operations occur.”

‘The pertinent part of the sentence above quoted is the following clause: “or the principal part of whose income is derived from any one or more of the foregoing operations”. Indeed, the words, “foregoing operations” seems to be the crux of the matter. What “foregoing operations” are referred to? A careful reading of the preceding language of the subdivision I think makes it clear that every operation enumerated to be engaged in by an individual is a personal operation. By the terms of that subdivision “farmer” includes not only an individual primarily bona fide personally engaged in producing products of the soil, but any individual who is primarily bona fide personally engaged in four other allied activities, and then concludes with the language, “or the principal part of whose income is derived from any one or more of the foregoing operations.” What were the foregoing operations? In each instance a personal operation. The subdivision then brings within its purview the personal representative of a deceased farmer. I conclude that if the debtor be a farmer within the meaning of this subdivision, the debtor must be engaged in farming personally and not merely own farm land which she or he leases to others who operate it. In view of this conclusion the last clause of the subdivision does not apply, and the debtor in this instance is not to be deemed a resident

of the county of Wright and State of Iowa. In these circumstances I find the petition of the debtor not properly filed and that this court has no jurisdiction in the premises, and it is Ordered and Adjudged that the debtor's petition be and the same is hereby dismissed at her costs and an exception reserved to the debtor.'

"The court now at this time readopts said language and opinion, and it is now found that debtor's petition should be dismissed for want of jurisdiction, and for the further reason that the undisputed testimony taken shows and upon the debtor's petition and schedules it appears that the debtor's petition was not rationally filed in good faith, and from the undisputed facts and circumstances there is no reasonable probability of debtor's financial rehabilitation under any proceeding to be had under section 75 of the Bankruptcy Act, as amended."

In the case of *Davis v. Shackelford*, Circuit Court of Appeals, Iowa, 91 Fed. (2d) 148, the court says in part as follows:

"From an examination of the files and record in the case, including a communication by letter from debtor's counsel, it appears without controversy that the debtor is a resident of the City of Peoria in the State of Illinois, that she is a housewife, the wife of a practicing physician in that city. That while she has title to a farm in Wright County, Iowa, she leases it to a tenant and does not personally engage in any farming operations. It does not appear that

the debtor has ever resided at any time within the Northern District of Iowa, nor within the State of Iowa, nor that she is or has been engaged in farming at any time or place within said District or State.”

* * *

“If it be true that appellant was not engaged in farming operations in the district within the meaning of the act, she is not entitled to its benefits, and the court is without jurisdiction to entertain the proceeding.” * * *

In the case of *In re Noble*, 19 Federal Supplement 504, the court says in part as follows:

“The petition was filed *pro se* in a very informal manner. It does not contain the required schedules and the motion of the banks to dismiss it would prevail for that reason alone.”

“This land is in a vicinity where people of wealth have recently purchased farms of this type and converted them into what the natives of the region term ‘estates’. Naturally the value to such a purchaser is not based upon farm productivity. The Nobles feel that if they can ‘hang on’ some ‘angel’ from New York may alight upon their premises and pay them handsomely therefor. On such a basis they value the farm at \$50,000. * * *

“It is my conception that Congress passed the Frazier-Lemke Act for the purpose of rehabilitating distressed farmers as such. The only work accomplished on this acreage is that which Mr. Noble performs in spite of his asthmatic condition and that which his son John accomplishes during his week ends home from a New York preparatory school. Their plight is one to stir sympathy, but does not

entitle them to the consideration of the legislation under whose protective wing they seek shelter. They do not hope to become rehabilitated in the occupation of farmers. Their hopes turn on the possibility of a lucky deal in the real estate market. * * * I find that the petitioners are not farmers within the meaning of the legislation.”

The case of *In re Wright's Estate*, 17 Fed. Supp. 908, and the case of *In re Shonkwiler*, 17 Fed. Supp. 697, cited by appellant, were both cases decided prior to the *Olson* case and *Davis* case, and the *Olson* case, *supra*, particularly points out the remarks of Mr. Justice Cardozo in the *First National Bank v. Beach* case. Under the law as established by the cases of *In re Moser, supra, First National Bank v. Beach, supra, In re Olson, supra, In re Davis, supra, Davis v. Shackleford, supra, In re Noble, supra*, appellee respectfully submits that the debtor is not an individual who is primarily bona fide personally engaged in producing products of the soil, and that she is not an individual the principal part of whose income is derived from bona fide personal engagement in producing products of the soil; that section 75, subdivision (r) of the Bankruptcy Act requires that every operation enumerated therein must be a personal operation on which such income is based, and that the decree of dismissal rendered herein should be affirmed.

Respectfully submitted,

THORPE & BRIDGES,

By GERALD BRIDGES,

Counsel for Appellee.

No. 9153

United States
Circuit Court of Appeals
For the Ninth Circuit 20

ROSE PACKARD SHYVERS,

Appellant,

vs.

THE SECURITY-FIRST NATIONAL BANK OF
LOS ANGELES,

Appellee.

Appellant's Supplemental Brief

Upon Appeal from the District Court of the United States for
the Southern District of California, Central Division.

FILED

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PAUL P. O'BRIEN,
CLERK

RAYMOND R. HAILS and
JOHN A. JORGENSEN,
1321 Park Central Bldg.,
Los Angeles, California,
Attorneys for Appellant.

No 9153

United States
Circuit Court of Appeals
For the Ninth Circuit

ROSE PACKARD SHYVERS,

Appellant,

vs.

THE SECURITY-FIRST NATIONAL BANK OF
LOS ANGELES,

Appellee.

Supplemental Brief for Appellant

The Question

Since the debtor has real property in England and therefore beyond the jurisdiction of the United States Courts, how can they administer this foreign property? And since Section 75 of the Bankruptcy Act relating to Farmers' Compositions contemplates and requires that all the debtor's property be subjected to the jurisdiction of the Court, how can the debtor with real

property in England be within the contemplation of the statute?

After what we believe to have been a thorough investigation of the authorities, we regret to say that we have been unable to find anything excepting what has already been presented in our original brief and in the argument which can answer the questions presented above.

We concede, of course, that real property in England belonging to the debtor could not be administered by the Bankruptcy Courts of this country because beyond its jurisdiction. However, we do not believe that such fact is decisive of appellant's rights.

In the first place, Section 75(r) provides that the debtor is to be deemed a resident of the county in which the enumerated operations are carried on by her. This makes her, by legislative fiat, a resident of Santa Barbara County. That she actually resides in London or New York is immaterial. In one sense, and, perhaps, in the proper sense, this statement is a complete answer to the questions raised.

However, we concede that there may be something deeper or more fundamental and beyond this legislative fiat. It may be said that, notwithstanding, there is an assumption in Sec. 75 that the debtor is a resident of the United States and that her property is wholly therein.

To do this, however, something must be added to the legislative fiat. No exception is made against an alien or mere non-resident of the United States or one who owns property beyond its jurisdiction.

Next, it is to be observed that the statutes involved in this appeal are part of the general bankruptcy act and under that act it is provided by Section 2a(1) that Bankruptcy Courts have power to “Adjudge persons bankrupt who have had their principal place of business, resided or had their domicile within their respective territorial jurisdictions for the preceding six months, or for a longer portion of the preceding six months than in any other jurisdiction, *or who do not have their principal place of business, reside, or have their domicile within the United States, but have property within their jurisdictions, or who have been adjudged bankrupts by courts of competent jurisdiction without the United States, and have property within their jurisdictions;*”

Since this provision which applies in ordinary bankruptcies contemplates proceedings by persons who are beyond the jurisdiction of the Court as long as they have property within its jurisdiction, it seems to us it cannot be claimed that such residence beyond the territorial limits of the United States can make any difference; and the fact that such a non-resident of this country owns property in some foreign country, it seems to us, can make no difference because even a resident of the United States might own such property,

and such real estate in a foreign country, belonging to a resident of this country, could only be controlled by acting upon the person of the bankrupt.

And if the fact that a bankrupt owns real estate in a foreign country is decisive, then a non-resident in this country who owned no real estate there would be entitled to the benefits of our bankruptcy laws while such a non-resident who owned additional assets by way of real estate in foreign countries would not be entitled to its benefits.

We have only been able to find some cases stating that the bankrupt's property "within the United States" is within the jurisdiction of the bankruptcy court, implying thereby that property beyond our territorial limits is not within such jurisdiction. But these citations would be of no value. We have been able to find no cases in which any property outside the jurisdictional limits of the United States was administered in bankruptcy or any points of law with reference thereto decided or in controversy.

And finally subdivision (n) of our Section 75, specifically involved in this proceeding, expressly provides that in proceedings under this Section, the jurisdiction and powers of the Courts, etc., shall be the same as if a voluntary petition for adjudication had been filed and decree of Adjudication entered. (See this subdivision and subd. (r) quoted in full respectively on pages 3 and 16 of our opening brief.)

This is the equivalent of saying, as we view it, that in proceedings under Section 75 the Court has power to proceed in cases where the debtors “do not have their principal place of business, reside, or have their domicile within the United States, but have property within their jurisdictions” as provided under Sec. 2a(1).

Respectfully submitted,

RAYMOND R. HAILS and
JOHN A. JORGENSEN,
Counsel for Appellant.

In the United States
Circuit Court of Appeals
For the Ninth Circuit. 21

ROSE PACKARD SHYVERS,

Appellant,

vs.

THE SECURITY-FIRST NATIONAL BANK OF LOS ANGELES,

Appellee.

APPELLEE'S SUPPLEMENTAL BRIEF.

Upon Appeal from the District Court of the United States for the
Southern District of California, Central Division.

THORPE & BRIDGES,
1114 Pacific Southwest Bldg., Los Angeles,
Attorneys for Appellee.

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No. 9153.

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

ROSE PACKARD SHYVERS,

Appellant,

vs.

THE SECURITY-FIRST NATIONAL BANK OF LOS ANGELES,

Appellee.

APPELLEE'S SUPPLEMENTAL BRIEF.

The Question.

Can a debtor, who has not resided in the United States of America or been therein since 1932, who is married to an English shipbuilder, whose occupation is that of a housewife, who owns real property in England, and who owns a ranch in Southern California which is wholly leased out to third parties, who conduct thereon dairies and agricultural pursuits, qualify under Section 75 of the Bankruptcy Act of the United States of America?

In accordance with the order of this Honorable Court appellant herein has filed her supplemental brief relative to the particular question hereinabove set forth. It is respectfully submitted that appellant's brief in no manner constitutes an answer to this question, in whole or in part,

and that the burden of proof is upon her to show to the Court that she is qualified to receive the benefits under said Section 75 of the Bankruptcy Act.

Subsection (n) of said Section 75 reads, in part, as follows:

“The filing of a petition or answer with the clerk of court, or leaving it with the Conciliation Commissioner for the purpose of forwarding same to the clerk of court, praying for relief under Section 75 of this Act, as amended, *shall immediately subject the farmer and all his property, wherever located, for the purposes of this section, to the exclusive jurisdiction of the Court, including all real or personal property, or any equity or right in any such property, including, among others, contracts for purchase, contracts for deed, or conditional sales contracts, the right or the equity of redemption where the period of redemption has not or had not expired, or where a deed of trust has been given as security, or where the sale has not or had not been confirmed, or where deed had not been delivered, at the time of filing the petition.*”
(Italics ours.)

Subsection (p) of said Section 75 reads as follows:

“The prohibitions of Section (o) . . . shall apply to all judicial or official proceedings in any court or under the directions of any official, and shall apply to all creditors, public or private, and to all of the debtor’s property, wherever located. All such property shall be under the sole jurisdiction and control of the Court in Bankruptcy and subject to the payment of the debtor farmer’s creditors, as provided for in Section 75 of this Act.”

Again, subsection (s) of said Section 75, commonly known as Frazier-Lemke Farm Relief Act, after stating

that any farmer failing to obtain the acceptance of a majority in number and amount of all creditors whose claims are affected by a composition or extension proposal, or if he feels aggrieved by the composition or extension proposal, may amend his petition or answer, asking to be adjudged a bankrupt, then states, in part, as follows:

“Such farmer may, at the same time, or at the time of the first hearing, petition the Court that *all of his property, wherever located*, whether pledged, encumbered, or unencumbered, be appraised, and that his unencumbered exemptions, and unencumbered interest or equity in his exemptions as prescribed by state law be set aside to him, and that he be allowed to retain possession under the supervision and control of the Court of any part or parcel of all of the remainder of his property, including his encumbered exemptions, under the terms and conditions set forth in this section.” (Italics ours.)

The second paragraph of subsection (n) of said Section 75 provides, in part, as follows:

“In proceedings under this section, *except as otherwise provided herein*, the jurisdiction and powers of the courts, the title, powers, and duties of its officers, the duties of the farmer, and the rights and liabilities of the creditors, and of all persons, *with respect to the property of the farmer* and the jurisdiction of the appellate courts, shall be the same as if a voluntary petition for adjudication had been filed and a decree of adjudication had been entered on the day when the farmer’s petition, asking to be adjudged a bankrupt, was filed with the clerk of the court or left with the Conciliation Commissioner for the purpose of forwarding same to the clerk of the court.” (Italics ours.)

The decision in the case of *In re Hudson Coal Company*, 22 Fed. Supp. 768, states, in part, as follows:

“The purpose of Section 77B of the Bankruptcy Act is to benefit the company and all persons in interest, and the burden is therefore on the petitioners for reorganization to establish their legal standing to institute the proceeding, their good faith, and the need for such reorganization. These questions lie at the threshold of the case before the Court should interfere with the affairs of the company. Such proceedings should be instituted in good faith, either by the company itself or by the creditors for the benefit of the company. The questions of law that must be determined at the threshold of this case, therefore, are the standing of the creditor petitioners and their good faith.”

It is respectfully submitted to this Honorable Court that both Section 77B of the Bankruptcy Act and its successor, Chapter X thereof, and Section 75 of the Bankruptcy Act constitute legislation passed by Congress for the benefit of two particular classes, and that each of said Acts is in derogation of the ordinary legal rights of creditors; that in fundamental principle the theory of each Act is the same and the enactment thereof governed by the identical considerations; therefore, that the purpose of Section 75 of the Bankruptcy Act was to benefit American farmers, as Section 77B of the Bankruptcy Act was passed to benefit American corporations and their creditors; and that, by reason thereof, the burden is upon the debtor to establish her legal standing to institute this proceeding. In other words, she must establish that she is a member of the class qualified by

Congress to seek the benefits of said Section 75 of the Bankruptcy Act. If she fails to sustain this burden then her proceeding should be dismissed.

Section 75 of the Bankruptcy Act, it is true, is subject to the general rules of bankruptcy *except as otherwise provided in said Section 75*. It is admitted that the debtor here has been a resident of England since 1932, at least, and that she owns real property in England. How, then, can she qualify under Section 75, when subsection (n) thereof provides that not only she, but all of her property, wherever located, shall be subjected to the exclusive jurisdiction of the Court? Again, in subsection (p) of said Section 75, it is provided that *all* of the farmer's property shall be under the sole jurisdiction and control of the Court in bankruptcy, and subject to the payment of the debtor farmer's creditors. Again the query presents itself: How could a Court in the United States of America subject the real property of the debtor which is in England to the payment of the debtor's creditors here in the United States of America? Furthermore, subsection (s) of said Section 75 provides that in the event a farmer does not effect a composition with his creditors, and he petitions the Court for relief under said subsection (s), all of his property, *wherever located*, be appraised, and that the Court shall designate it and appoint appraisers therefor. Any appraiser appointed in England would not be under the jurisdiction of United States Courts and subject to cross-examination with the right of appeal.

In view of the provisions of the Act, and the case cited, it is respectfully submitted to this Honorable Court that the debtor in this proceeding has utterly failed to sustain the burden, which is upon her, to show to the Court that she is a person entitled to the benefits of the Act and that, on the contrary, it has been conclusively shown that, were she permitted to proceed, she could not comply with the terms and provisions of the Act because of the physical situation, and that the Court would not have jurisdiction of either her person or all of her property, both of which are required by the terms of the Act which, in this regard, are not subject to the general rules of bankruptcy, because such conditions are specifically provided for in said Section 75.

Respectfully submitted,

THORPE & BRIDGES,

By ROANE THORPE,

Attorneys for Appellee.

United States

Circuit Court of Appeals

For the Ninth Circuit. 22

ALFRED E. ROGERS, L. L. ROGERS, LUCY H.
ROGERS, et al.,

Appellants,

vs.

CONSOLIDATED ROCK PRODUCTS CO., F. B.
BADGLEY, R. E. FRITH,

Appellees.

Transcript of Record

Upon Appeal from the District Court of the United
States for the Southern District of California,
Central Division.

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United States
Circuit Court of Appeals

For the Ninth Circuit.

ALFRED E. ROGERS, L. L. ROGERS, LUCY H.
ROGERS, et al.,

Appellants,

vs.

CONSOLIDATED ROCK PRODUCTS CO., F. B.
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Transcript of Record

Upon Appeal from the District Court of the United
States for the Southern District of California,
Central Division.

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italic; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in italic the two words between which the omission seems to occur.]

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NAMES AND ADDRESSES OF ATTORNEYS

For Appellants:

CHASE, BARNES & CHASE,
LUCIUS K. CHASE, Esq.,
THOMAS R. SUTTNER, Esq.,
433 South Spring Street,
Los Angeles, Calif.

For Debtor Corporations, Appellees:

LATHAM & WATKINS,
PAUL R. WATKINS, Esq.,
1112 Title Guarantee Building,
Los Angeles, Calif.

For Edward E. Hatch and Louis Van Gelder,
Appellees:

STANLEY M. ARNDT, Esq.,
1109 Rowan Building,
Los Angeles, Calif.

For F. B. Badgley, R. E. Frith, T. Fenton Knight
and Walter S. Taylor, Appellees:

O'MELVENY, TULLER & MYERS,
HOMER I. MITCHELL, Esq.,
GRAHAM L. STERLING, JR., Esq.,
900 Title Insurance Building,
Los Angeles, Calif.

For Wm. D. Courtwright, Fred L. Dreher, F. J. Gay, Alfred Ginoux and Guy Witter, Appellees:
 GIBSON, DUNN & CRUTCHER,
 J. C. MACFARLAND, Esq.,
 THOMAS H. JOYCE, Esq.,
 FREDERIC H. STURDY, Esq.,
 1000 Banks-Huntley Building,
 Los Angeles, Calif.

For E. Blois DuBois, Appellee:
 MOTT AND GRANT,
 KENNETH E. GRANT, Esq.,
 HOWARD A. GRANT, Esq.,
 1215 Citizens National Bank Building,
 Los Angeles, Calif. [1*]

In the District Court of the United States for the
 Southern District of California, Central Division

No. 25816-H

Bankruptcy

In the Matter of
 CONSOLIDATED ROCK PRODUCTS CO.,
 a Delaware corporation,

Debtor,

*Page numbering appearing at the foot of page of original certified Transcript of Record.

UNION ROCK COMPANY, a corporation,
Subsidiary,
and

CONSUMERS ROCK & GRAVEL COMPANY,
INC., a corporation,
Subsidiary.

CITATION

United States of America—ss.

To Consolidated Rock Products Co., F. B. Badgley, R. E. Frith, T. Fenton Knight, and Walter S. Taylor, composing Union Rock Company Bondholders' Protective Committee; Wm. D. Courtwright, Fred L. Dreher, F. J. Gay, Alfred Ginoux and Guy Witter, composing Consumers Rock and Gravel Company, Inc., Bondholders' Protective Committee; Edward E. Hatch and Louis Van Gelder, composing Preferred Stockholders' Committee of Consolidated Rock Products Co., E. Blois DuBois

Greeting:

You are hereby cited and admonished to be and appear at a United States Circuit Court of Appeals for the Ninth Circuit, to be held at the City of San Francisco, in the State of California, on the 19th day of July, A. D. 1939, pursuant to an order allowing appeal filed on June 20, 1939, in the Clerk's Office of the District Court of the United States,

in and for the Southern District of California, in that certain cause No. 25816-H, Central Division, wherein Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers, Horace V. Goodrich, Henry C. Chase, Jack B. Rogers, Carlton M. Rogers, Howard M. Rogers, Rogers Corporation, Ltd., and Carlton Properties, Inc., Ltd., owners and holders of shares of common stock of Consolidated Rock Products Co., and George A. Rogers, Inc. Ltd., owner and holder of bonds of Union Rock Company, are appellants and you are appellees to show cause, if any there be, why the decree, order or judgment in the said appeal mentioned, should not be corrected, and speedy justice should not be done to the parties in that behalf.

Witness, the Honorable Harry A. Hollzer, United States District Judge for the Southern District of California, this 20th day of June, A. D. 1939, and of the Independence of the United States, the one hundred and sixty-third.

H. A. HOLLZER,

U. S. District Judge for the Southern District of California.

Service of a copy of the foregoing Citation acknowledged this 23rd day of June, 1939.

LATHAM & WATKINS,

By D. C. WORLEY,

Attorney Consolidated
Rock Products Co.

Received copy of the within document Jun 23,
1939.

GIBSON, DUNN & CRUTCHER,
Per A [1-A]

Received copy of the within document June 23,
1939.

O'MELVENY, TULLER &
MYERS,

By L. A. C.

STANLEY M. ARNDT,
Attorney for [Illegible]
MOTT & GRANT,

Attys. for E. Blois DuBois.

[Endorsed]: Filed Jul. 18, 1939.

In the District Court of the United States, South-
ern District of California, Central Division.

No. 25816-H

IN PROCEEDINGS FOR THE
REORGANIZATION OF A CORPORATION.

In the Matter of

CONSOLIDATED ROCK PRODUCTS CO.,
a Delaware corporation,

Debtor.

UNION ROCK COMPANY, a corporation,
Subsidiary,

and

CONSUMERS ROCK & GRAVEL COMPANY,
INC., a corporation,

Subsidiary.

ALFRED E. ROGERS, L. L. ROGERS, LUCY
H. ROGERS, HORACE V. GOODRICH,
HENRY C. CHASE, JACK B. ROGERS,
CARLTON M. ROGERS, HOWARD M.
ROGERS, ROGERS CORPORATION, LTD.,
and CARLTON PROPERTIES, INC. LTD.,
owners and holders of shares of common stock
of CONSOLIDATED ROCK PRODUCTS
CO., and GEORGE A. ROGERS, INC. LTD.,
owner and holder of bonds of UNION ROCK
COMPANY,

Appellants,

vs.

CONSOLIDATED ROCK PRODUCTS CO.,
F. B. BADGLEY, R. E. FRITH, T. FENTON
KNIGHT and WALTER S. TAYLOR, com-
posing UNION ROCK COMPANY BOND-
HOLDERS' PROTECTIVE COMMITTEE;
WM. D. COURTWRIGHT, FRED L.
DREHER, F. J. GAY, ALFRED GINOUX
and GUY WITTER, composing CONSUM-
ERS ROCK AND GRAVEL COMPANY,

INC., BONDHOLDERS' PROTECTIVE COMMITTEE; EDWARD E. HATCH and LOUIS VAN GELDER, composing PREFERRED STOCKHOLDERS' COMMITTEE OF CONSOLIDATED ROCK PRODUCTS CO. and E. BLOIS DUBOIS,

Appellees.

AGREED STATEMENT OF CASE AND
RECORD UPON APPEAL

It Is Hereby Stipulated by and between (a) Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers, Horace V. Goodrich, Henry C. Chase, Jack B. Rogers, Carlton M. Rogers, Howard N. Rogers, Rogers Corpora- [1-B] tion, Ltd., Carlton Properties, Inc. Ltd., and George A. Rogers, Inc. Ltd., appellants herein; (b) F. B. Badgley, R. E. Frith, T. Fenton Knight, and Walter S. Taylor, comprising the Union Rock Company Bondholders' Protective Committee; (c) William D. Courtwright, Fred L. Dreher, F. J. Gay, Alfred Ginoux and Guy Witter, comprising the Consumers Rock and Gravel Company, Inc. Bondholders' Protective Committee; (d) Edward E. Hatch, and Louis Van Gelder, comprising the Consolidated Rock Products Co. Preferred Stockholders' Committee; (e) Consolidated Rock Products Co., the debtor herein; and (f) E. Blois DuBois, through their respective attorneys of record, that the following shall constitute an agreed statement of the case:

1. On May 24, 1935, Consolidated Rock Products Co., and its wholly owned subsidiaries, Union Rock Company and Consumers Rock and Gravel Company, Inc., filed in the District Court of the United States, Southern District of California, Central Division, their respective petitions for relief under Section 77B of the Bankruptcy Act of 1898, as amended, and as then in effect. The petitions were duly and regularly filed and contained allegations necessary and proper to confer jurisdiction upon the Court. On the same date the Court entered its orders approving said petitions as properly filed under said Section 77B, directing that Consolidated be permitted to remain in possession of its properties and those of its said subsidiaries, and fixing the time and place of hearing, and prescribing the notice to be given, upon the questions as to whether debtor's possession of said property should be continued or a trustee appointed. On July 2, 1935, after hearing held on June 24, 1935, the Court entered its order continuing debtor in possession of said properties.

2. On April 28, 1937, the Debtor, the Union Rock Company Bondholders' Protective Committee and the Consumers Rock & Gravel Company, Inc., Bondholders' Protective Committee filed their petition [2] with the Court submitting a plan of reorganization, dated March 15, 1937. Written objections to said plan were filed by E. Blois DuBois, an owner and holder of both Union and Consumers

bonds, on August 25, 1937. Supplemental objections were filed by him on October 21, 1937. No objections to the plan were filed by appellants herein. After a hearing on November 1, 1937, the Court entered an order on November 3, 1937, referring said plan of reorganization and the objections thereto (except objections going to constitutionality) to Frank P. Doherty, special master. Hearing before the master commenced November 8, 1937, and was concluded November 17, 1937. The Findings and Report of the master were filed February 14, 1938.

3. Written exceptions to the Findings and Report of the master were filed by E. Blois DuBois on March 4, 1938, and written supplemental exceptions on March 5, 1938. No exceptions were filed by appellants. Hearing on exceptions taken to the Findings and Report of the master, and on constitutional questions presented by objectors to the plan, was had before the Court on March 7, 1938, and all matters were taken under submission by the Court. Thereafter, on September 8, 1938, the Court entered its Findings and Order confirming the Plan of Reorganization and the Findings and Report of the master.

4. Said Plan of Reorganization provides in part as follows:

All of the properties will be transferred to a new corporation, free and clear of all present claims of

bondholders and stockholders. The capitalization of the new company will consist of bonds, preferred stock and common stock. The new bonds will be secured by a blanket mortgage on all of the properties of the new company. Each present \$1,000 bondholder will receive in exchange for his present bond: \$500 principal amount of new bonds and \$500 [3] par value of new preferred stock. Each present preferred stockholder will receive for each present preferred share one share of new common stock. Each present common stockholder will receive for each five shares of present common stock a warrant entitling the holder to purchase one share of new common stock at \$1.00, at any time within 3 months after its date. In addition to the new bonds and new preferred stock, the present bondholders will receive warrants, entitling them over a period of five years to purchase common stock of the new company.

The new bonds are to be divided into two series designated "Series U" (to go to Union Rock Company bondholders) and "Series C" (to go to Consumers Rock & Gravel Company, Inc. bondholders). "Series U" bonds will total \$938,500.00 and "Series C" will total \$568,500.00. The income from the combined properties applicable to the servicing of the new bonds is to be divided into two equal parts, one of which will be applied to the servicing of the C Series of new bonds and the other to the U Series of new bonds. There is no distinction between the

two series as to priority of their lien. The new preferred stock is likewise divided into "Series U" and "Series C". There is no distinction as to priority between the series of new preferred stock, there is a similar provision for the allocation of income to their servicing.

A voting trust is set up in which there is to be placed all the preferred stock of both Classes U and C, except that any bondholder who does not wish his preferred stock to be held in the voting trust will be entitled to receive his stock free of such trust, provided he gives written notice of such intention within thirty days after the confirmation of the plan.

5. On August 26, 1938, prior to entry of the order of confirmation, Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers, Horace V. Goodrich, Henry C. Chase, Jack B. Rogers, Carlton M. Rogers, [4] Howard N. Rogers, Rogers Corporation, Ltd., Carlton Properties, Inc. Ltd., and George A. Rogers, Inc. Ltd., appellants herein, filed in the District Court a "Proposal for Changes and Modifications" in said Plan of Reorganization. Said proposal provided in substance (1) for more favorable terms in the stock purchase warrants to be issued old common stockholders, substituting a schedule of lower purchase prices and longer periods of time within which to exercise said rights, and (2) for elimination of the provisions for allocating income between the two series of new bonds,

so that all the net income of the new corporation should be applied to the bonds without discrimination between the same.

6. Thereafter counsel for the Debtor, the Union Rock Company Bondholders' Protective Committee and the Consumers Rock & Gravel Company, Inc. Bondholders' Protective Committee, the proponents of the plan of reorganization, requested that said proposals for modifications be withdrawn temporarily because they felt that said proposals interfered with the entry of the formal order of confirmation. Pursuant to such request, on September 7, 1938, a stipulation was signed by all the parties hereto reading as follows:

“It Is Stipulated That an order be made herein authorizing the withdrawal of said Proposal for Changes and Modifications in Plan of Reorganization, without prejudice to a renewal thereof after the Order for Confirmation shall have been signed, and that after such Order for Confirmation shall have been signed herein, such proposal may be renewed.”

Pursuant to said stipulation, an order was made by Harry A. Hollzer, United States District Judge, on September 8, 1938, in the following terms: .

“It Is Ordered that said Proposal be withdrawn, without prejudice to renew the same after an order has been made herein confirming the plan of reorganization, and that after an

order [5] has been made herein confirming the plan of reorganization as proposed, said proponents shall be and are hereby authorized to renew their said proposal."

Said plan of reorganization was thereafter confirmed, by a formal order of said Court, signed and entered in said Court on September 8, 1939.

7. Appellants Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers, Horace V. Goodrich, Henry C. Chase, Jack B. Rogers, Carlton M. Rogers, Howard N. Rogers, Rogers Corporation, Ltd., Carlton Properties, Inc. Ltd. and George A. Rogers, Inc. Ltd., then filed for the second time, their

PROPOSAL FOR CHANGES AND MODIFICATIONS IN THE PLAN OF REORGANIZATION,

on September 17, 1938. In terms said proposal was identical with the proposal submitted by them on August 26, 1938, except that it added provisions for elimination of the voting trust, and read as follows:

"Come now Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers, Horace V. Goodrich, Henry C. Chase, Jack B. Rogers, Carlton M. Rogers, Howard N. Rogers, Rogers Corporation, Ltd., and Carlton Properties, Inc. Ltd., all of whom are owners and holders of shares of common stock of Consolidated Rock Products Co., and George A. Rogers, Inc., Ltd., an owner and

holder of bonds of Union Rock Company, and pursuant to the provisions of Subd. (f) of Sec. 77B of the Bankruptcy Act, propose the following changes and modifications in the plan of reorganization heretofore adopted.

I.

Change and amend that portion of Article IV of said plan, headed "Treatment of Existing Security Holders and Creditors" reading:

"For each five shares of present common stock; a stock purchase warrant entitling the holders thereof, at any [6] time within three months after its date, to purchase one share of new common stock at the price of \$1.00".

and substitute, as an amendment and change thereof, the following:

"For each three shares of present common stock a stock purchase warrant shall be issued to the holders of said common stock, which said warrant shall entitle the holder thereof to purchase one share of new common stock at any time before the expiration of two years after the date of issuance of said warrant at the following prices:

1. If exercised during the first three months, at \$.25 per share;
2. If exercised during the second three months, at \$.50 per share;

3. If exercised during the next six months, at \$1.00 per share;
4. If exercised during the first six months of the second year, at \$1.50 per share;
5. If exercised during the second six months of the second year, at \$2.50 per share."

and that Subdivision 3 of Article III of said Plan shall be so amended as that the total number of shares of common stock and the total shares reserved for issuance upon purchase of stock purchase warrants to be issued to the present holders of common stock of the Debtor shall be increased to conform said proposed amendment to Article IV of said Plan.

Said proposals for a change and modification of the plan heretofore approved are made upon the following grounds and should be adopted for the following reasons:

1. Since the proposal of the plan heretofore adopted there has been a marked improvement in the financial and business condition of the Debtor corporations as shown by earning statements on file herein. [7]

2. The aforesaid marked improvement in earnings of the Debtor corporations has resulted in a much greater amount of cash on hand than was anticipated or contemplated at the time said plan of reorganization was proposed.

3. The amount of cash which would be paid into the reorganized Debtor corporations if the holders of common stock were to exercise the option now offered to them at the price stated in the approved plan of reorganization is much greater than is necessary for the immediate needs of the reorganized Debtor.

4. The common stockholders still have an equity in the assets of the Debtor Consolidated Rock Products Co. and it is unfair, unjust and inequitable to require their payment of the large sums provided in the approved plan.

5. The time permitted for the common stockholders to exercise the present option is too short to permit the said common stockholders a fair or proper chance to salvage any portion of their investment in the Debtor Consolidated Rock Products Co.

6. No prejudice will result to any creditor or preferred stockholder of the Debtor Consolidated Rock Products Co. by reason of the proposed change and amendment and great advantage will result to the common stockholders.

7. The proposed changes and amendments are just, fair and equitable.

II.

Change and amend Article V of said plan, headed "Allocation of Net Income" so as to

eliminate therefrom all provisions for dividing the net income of the new corporation into two equal parts and applying one part thereof to the proposed Series U Bonds (Amounting to \$938,500.00) and the other part thereof to the proposed Series C Bonds (Amounting to \$568,500.00) [8] so that said Article V, as amended, shall provide, in substance, that all of the net income of the new corporation shall be applied first to the payment of interest on both Series U and Series C Bonds without distinction or discrimination between the same. Change and amend Article VI of said plan, headed "Provisions of New Bonds and of New Trust Indentures" to conform with Article V, as amended.

Said proposals for a change and modification of the plan heretofore approved are made upon the following grounds and should be adopted for the following reasons:

1. There is no reason to prefer the bondholders of Consumers Rock & Gravel Company, Inc. over the bondholders of Union Rock Company and the preference provided for in said Paragraph V of said plan is unfair, unjust and inequitable.

2. That the present value of the property now securing the bonds of the Union Rock Company is greatly in excess of the present value of the properties securing the bonds

issued by the Consumers Rock & Gravel Company, and bond for bond the present value of the properties securing the bonds issued by the Union Rock Company is greatly in excess of the present value of the property securing the outstanding bonds issued by the Consumers Rock & Gravel Company, and that the general character of the rock in the properties securing the bonds of the Union Rock Company is of a much higher grade than the general character of the rock in the properties securing the bonds of the Consumers Rock & Gravel Company.

3. The proposed changes and amendments are just, fair and equitable.

III.

Modify Article IX of said plan by eliminating the whole thereof, and in lieu thereof provide as follows:

“The new preferred stock, Series U, to be issued for the holders of Union bonds, and the new preferred [9] stock, Series C, to be issued for the holders of Consumers bonds, will be issued directly to the owners thereof.”

Said proposal for a change and modification of the plan heretofore approved is made upon the following grounds and should be adopted for the following reasons:

1. The proposed change is just, fair and equitable, whereas the present Article IX of said plan contemplates an illegal combination of stockholders.

The proponents of the foregoing proposed changes and modifications in the plan of reorganization heretofore adopted have not consented to nor accepted said plan. The amounts of the holdings of each of the stockholders above named are:

Alfred E. Rogers.....	1,500
L. L. Rogers.....	6,000
Lucy H. Rogers.....	5,500
Rogers Corporation, Ltd.....	30,000
Carlton Properties, Inc. Ltd.....	6,000
Horace V. Goodrich.....	200
Henry C. Chase.....	1,100
Jack B. Rogers.....	600
Carlton M. Rogers.....	500
Howard N. Rogers.....	500

The amount of bonds of Union Rock Company held by George A. Rogers, Inc., Ltd., the bondholder above named, is 50, having an aggregate principal amount of \$50,000.00. Rogers Corporation, Ltd. Carlton Properties, Inc. Ltd., and George A. Rogers, Inc., Ltd. are each and all corporations duly organized under and existing by virtue of the laws of the State of California.

Wherefore, the proponents pray that the aforesaid proposed changes and modifications in the plan of reorganization of the Debtor corporations be adopted and approved and that the [10] plan of reorganization of the Debtors, as so changed and modified, be confirmed.”

8. Thereafter E. Blois DuBois, an objecting bondholder, perfected an appeal to the United States Circuit Court of Appeals, for the Ninth Circuit, from the order and decree of the District Court confirming said plan of reorganization. Said appeal was allowed by said District Court on October 4, 1938, and by the United States Circuit Court of Appeals on October 24, 1938.

9. Thereafter a stipulation was signed by all of the parties hereto providing that the proposal of Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers, Horace V. Goodrich, Henry C. Chase, Jack B. Rogers, Carlton M. Rogers, Howard N. Rogers, Rogers Corporation, Ltd., Carlton Properties, Inc. Ltd. and George A. Rogers, Inc. Ltd., for changes and modifications in said plan of reorganization, should come on for hearing in the District Court on Monday the 22nd day of May, 1939, at the hour of 10 o'clock A. M., without further notice.

10. On May 15, 1939, there was served and filed a

NOTICE OF MOTION

of the Committee of Preferred Stockholders of Consolidated Rock Products Co. “to dismiss pro-

posal for changes and modifications in plan of reorganization and of opposition to consideration thereof." Said notice read as follows:

"To Alfred E. Rogers, et al., and Lucius K. Chase and Chase, Barnes & Chase, Their Attorneys:

Take Notice that on Monday, the 22nd day of May, 1939, at the hour of 10 o'clock a. m., or as soon thereafter as counsel can be heard, the undersigned, on behalf of the Committee of Preferred Stockholders of Consolidated Rock Products Co., will move the above entitled court, in the courtroom of the Hon. Harry A. Hollzer, United States [11] District Judge, Second Floor of the United States Post Office and Court House, Los Angeles, California, to dismiss the "Proposal for Changes and Modifications in Plan of Reorganization" filed by Alfred E. Rogers, et al.

Said motion will be based upon the ground that the Court has no jurisdiction in the matter in that the plan of reorganization which it is proposed to change or modify is now on appeal, the term in which said plan of reorganization was approved has expired, the appeal has been perfected, briefs have been filed by the parties herein, and the above entitled Court has no jurisdiction in the matter.

Take Further Notice that at said time and place, the undersigned will likewise object to

the consideration of said "Proposal for Changes and Modifications in Plan of Reorganization" for the same reason as above set forth.

Said motion will be based upon this notice, upon the records, files and proceedings hereof, and upon evidence to be adduced at said hearing."

11. On May 22, 1939, said motion to dismiss and said proposal for modification were on the calendar for hearing in said District Court before the Honorable Harry A. Hollzer, Judge thereof, and the following proceedings were had:

On behalf of the preferred stockholders of Consolidated Rock Products Co., Stanley Arndt, Esq., moved to dismiss the Proposal for Changes and Modifications in the Plan of Reorganization of Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers, Horace V. Goodrich, Henry C. Chase, Jack B. Rogers, Carlton M. Rogers, Howard N. Rogers, Rogers Corporation, Ltd., Carlton Properties, Inc. Ltd. and George A. Rogers, Inc. Ltd., appellants herein, and objected to any consideration thereof, upon the grounds set forth in the notice of motion theretofore served and filed, and argued in support of said [12] motion.

It was stipulated that the appeal of E. Blois DuBois from the order confirming the plan of reorganization had been perfected and was then pending

before the Circuit Court of Appeals, and that briefs had been filed.

Counsel for Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers, Horace V. Goodrich, Henry C. Chase, Jack B. Rogers, Carlton M. Rogers, Howard N. Rogers, Rogers Corporation, Ltd., Carlton Properties, Inc. Ltd. and George A. Rogers, Inc. Ltd., proceeded to argue in opposition to the motion to dismiss stating, among other things, as follows:

“The appeal filed by Mr. Grant came on so soon after we had filed this petition that we took no steps to bring the matter on for hearing. We felt that because that appeal concerned points which we had raised in our modifications, it would not be proper to bring the matter on before the court during the pendency of the appeal and cause the court to pass upon certain matters which the Circuit Court of Appeals had before it, because, just as Mr. Arndt has pointed out, it is a source of confusion if two courts are passing upon the same matters at the same time. Frankly, we had not considered the question of jurisdiction at that time. We had felt that it was more of a matter of, perhaps you might say, good manners, that the petition would not be brought on, because, to hear the matter and have an extended hearing would result in the court, perhaps, doing an idle act in that the Circuit Court of Appeals might take a different position than was taken

by the master and the trial court, and might reverse the decree, might even propose modifications on its own behalf that might add things which would negative and render nugatory everything which we have done here. So, because of that, we did not insist that the matter be brought on.

Then, Mr. Watkins, as he has stated, became insistent that [13] the matter be heard, and because we wished to be agreeable, we prepared a stipulation and sent it around to all the counsel, which brings the matter on for hearing today.”

* * * * *

“We are ready to proceed with the modifications if the court wishes to hear them now. We do not wish to waste the court’s time. If the court feels that the jurisdiction has been suspended, then we will gladly yield to that decision of the court and bring our proposed modifications on just as rapidly as possible after the appeal has been decided.

But as far as the motion to dismiss is concerned, it certainly should be denied because the court’s jurisdiction is merely suspended and not rendered totally void.

The Court: May I inquire as to what your position is with reference to this question, and it may have some bearing on how we should view the present motion: Assume a somewhat

different state of facts than has been thus far suggested, namely, assume that the court of appeals should affirm the order approving the plan of reorganization; is it your contention that we may then proceed to consider the motion that you have filed?

Counsel: Exactly, your Honor. The judgment of the Circuit Court or the Supreme Court, if the case goes that far, affirming the proposed plan of reorganization, is merely a judgment that the interlocutory decree is fair and reaches an equitable result among all the parties. If the trial court then thereafter, in the exercise of its discretion, upon proposed modifications, deems that certain factors in the decree are not equitable, do not do equity among the parties, then it has jurisdiction and the right and, indeed, the duty, to modify that plan. And it is our position that, no matter what the Circuit Court of Appeals does, this Court, [14] upon its jurisdiction being restored, may proceed to modify the plan or refuse to modify it. It is a matter of discretion, entirely discretionary.

The Court: Getting closer, then, to the problem that immediately concerns us, aren't you satisfied that, at least pending the determination of this appeal that has been taken, the court lacks authority to entertain your motion?

Counsel: We are so satisfied, your Honor. We believe it should be placed off calendar."

Counsel for appellants further stated:

“One of the points which is involved in our petition and one of the points which is being argued at great length in the brief is the question of division of income between the two groups of bondholders. That is one point on which we intend to offer a great deal of evidence; and that is the very point that the Circuit Court of Appeals is going to decide. If they decide that point one way or the other, and particularly if they decide it in our favor, we are certainly not going to bring any modification on. We believe that, as to that extent, we would be bound by the Circuit Court of Appeals, and certainly we are willing to be bound by its decision on that point.”

At no time was said petition or proposal for modification heard and the merits of said petition were not inquired into.

The court then announced that an order would be entered granting the motion to dismiss and recommended to petitioners (appellants herein) that they proceed forthwith to get a ruling by the Circuit Court of Appeals on the question as to whether if at any time the District Court might consider the petition to modify, other than in accordance with some decision which the [15] Circuit Court of Appeals might make on the DuBois appeal then pend-

ing before it and directed the preparation of a formal order. On said date an entry was made in the minutes of said court, as follows:

No. 25816-H Bkey.

“In the Matter of

Consolidated Rock Products Co.,

Debtor.

This matter coming on for (1) hearing petition of Alfred E. Rogers, et al., for modification of Plan of Reorganization, pursuant to stipulation filed May 8, 1939; (2) hearing on motion of Committee of Preferred Stockholders of the Debtor to discuss “proposal for changes and modifications in Plan of Reorganization” filed by Alfred E. Rogers, et al.; and on objections of said Committee to consideration of said proposal, pursuant to notice filed May 16, 1939; Lucius K. Chase and T. R. Suttner, Esqs., appearing for Alfred E. Rogers, et al.; Stanley Arndt, Esq., appearing for the Preferred Stockholders Committee; James M. Irvine, Jr., Esq., appearing for the Union Rock Company Bondholders’ Protective Committee; J. C. Macfarland, Esq., appearing for the Consumers’ Rock & Gravel Co. Bondholders’ Protective Committee; Paul R. Watkins, Esq., appearing for the Debtor; Kenneth E. Grant, Esq., appearing for Blois DuBois; and A. H.

Bargion being present as Court Reporter and reporting the testimony and proceedings:

It is ordered that a reporter attend and that his fees be advanced by the Debtor estate at this time, and the Court reserves jurisdiction to determine if cost of reporter should be charged as costs.

Attorney Arndt argues in support of motion to dismiss "proposal for changes and modification in Plan of Reorganization", etc.

Attorney Suttner argues in opposition to motion [16] to dismiss; Attorney Arndt argues further in support of motion to dismiss; and various counsel make statements; whereupon, It Is Ordered that motion to dismiss "proposal for changes and modifications in Plan of Reorganization" filed by Alfred E. Rogers, et al., be granted. Counsel to prepare order. Exception noted to the petitioner."

Thereafter a formal order of dismissal was prepared, signed by said District Court and entered therein on June 5, 1939, as follows:

“In the District Court of the United States,
Southern District of California, Central
Division.

In Proceedings for the Reorganization of a
Corporation—No. 25816-H

In the Matter of

CONSOLIDATED ROCK PRODUCTS

CO., a Delaware corporation,

Debtor.

ORDER GRANTING MOTION TO DIS-
MISS PROPOSAL OF ROGERS, ET
AL., AND DISMISSING SAID PRO-
POSAL.

The motion of the Committee of Preferred Stockholders of Consolidated Rock Products Co. to dismiss “Proposal for Changes and Modifications in Plan of Reorganization”, filed by Alfred E. Rogers, et al., came on regularly to be heard pursuant to stipulation of all counsel on Monday, the 22nd day of May, 1939, before the above entitled Court, Hon. Harry A. Hollzer, judge presiding. Said Committee of Preferred Stockholders of Consolidated Rock Products Co. appeared by Stanley N. Arndt, their counsel; Alfred E. Rogers, et al., appeared by Lucius K. Chase, and Chase, Barnes & Chase, their attorneys; E. Blois DuBois appeared by Mott & Grant, by K. E. Grant, his

attorneys; Union Rock Company Bondholders' Protective Committee appeared by O'Melveny, Tuller & Myers, by James M. Irvine, their attorney; [17] neys; the Consumers Rock & Gravel Company, Inc., Bondholders' Protective Committee appeared by Gibson, Dunn & Crutcher, by J. C. MacFarland, their attorneys; and Consolidated Rock Products Co., the debtor herein, and its subsidiaries, Union Rock Company and Consumers Rock & Gravel Company, Inc., appeared by Latham & Watkins, by Paul H. Watkins, their attorneys.

It was stipulated by and between the parties, and the Court finds:

(a) That said proposal of Alfred E. Rogers, et al., was a petition for modification of a plan of reorganization, which plan of reorganization was confirmed herein by this Court by order dated September 8, 1938. Said proposal of Alfred E. Rogers, et al., was filed September 17, 1938, but was not brought on for hearing until May 22, 1939. No attempt was made to set said proposal for hearing until April, 1939.

(b) That an appeal to the Federal Circuit Court of Appeal for the 9th Circuit from said order confirming said plan of reorganization was perfected on behalf of E. Blois duBois as appellant on October 3, 1938; that the opening briefs, reply briefs and closing briefs have been filed in said appeal and that said appeal

is now ready to be heard and determined by the Circuit Court of Appeals for the Ninth Circuit.

Said motion was made upon said stipulated facts and upon the records, files and proceedings hereof.

The matter was duly argued by counsel for the various parties. During the argument it was stated by counsel for Alfred E. Rogers, et al., that the Court's jurisdiction to proceed at the present time was suspended during the pendency of the appeal and it was suggested by them that the said proposal of Alfred E. Rogers, et al., should not be dismissed by the Court but should go off calendar to be heard after the mandate of the Circuit Court of Appeals had been received. This sug- [18] gestion was opposed by the attorney for the Committee of Preferred Stockholders of Consolidated Rock Products Co. and by the attorneys for the Consumers Rock & Gravel Company, Inc., Bondholders' Protective Committee, Consolidated Rock Products Co., Union Rock Company, Consumers Rock & Gravel Company, Inc., and the Union Rock Company Bondholders' Protective Committee, who joined in the motion to dismiss and, together with the attorney for the Preferred Stockholders' Committee, contended that the Court not only had no jurisdiction to proceed at the present time but would have no jurisdiction to consider said

proposal hereafter except to comply with whatever mandate came down from the Circuit Court of Appeals.

After said argument, the matter was submitted to the Court for determination, and the Court being fully advised in the premises, makes its conclusions of law upon said stipulated and found facts as follows:

1. That this Court has no jurisdiction to consider said proposal for modification or any other proposal for modification of said plan of reorganization in that the order confirming the plan of reorganization which it is proposed to change and modify is now on appeal, which appeal has been perfected, and is ready for hearing and determination by the Circuit Court of Appeals for the 9th Circuit.

2. That the said "Proposal for Changes and Modifications in Plan of Reorganization" filed by Alfred E. Rogers, et al., should be dismissed for want of jurisdiction.

3. If the final order of the Circuit Court of Appeals is an order affirming said order appealed from, no jurisdiction will rest in this court to consider any proposal for changes or modification in said plan of reorganization. If the final [19] order of the Circuit Court of Appeals does not affirm said order, then this Court must proceed in accordance with the mandate of the Circuit Court when it becomes final.

Wherefore, It Is Ordered, Adjudged and Decreed that said motion of the Committee of Preferred Stockholders of Consolidated Rock Products Co. to dismiss the "Proposal for Changes and Modifications in Plan of Reorganization", filed by Alfred E. Rogers, et al., be and the same hereby is granted, and that said "Proposal for Changes and Modifications in Plan of Reorganization" be and the same hereby is dismissed.

An exception is hereby allowed to Alfred E. Rogers, et al.

Dated, June 3, 1939.

HARRY A. HOLLZER,
Judge of the United States
District Court."

On June 5, 1939, a notice was served on appellants by Stanley Arndt, Esq., as attorney for the Preferred Stockholders' Committee, stating that on June 5, 1939, the above order of dismissal had been entered in said court.

On June 20, 1939 appellants filed herein their notice of appeal from said order of dismissal as follows:

“[Title of District Court and Cause.]

NOTICE OF APPEAL TO THE CIRCUIT
COURT OF APPEALS, FOR THE NINTH
CIRCUIT, UNDER RULE 73B. [20]

“Notice is Hereby Given that Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers, Horace V. Goodrich, Henry C. Chase, Jack B. Rogers, Carlton M. Rogers, Howard M. Rogers, Rogers Corporation, Ltd., and Carlton Properties, Inc., Ltd., common stockholders of Consolidated Rock Products Co., debtor above named, and George A. Rogers, Inc. Ltd., a bondholder of Union Rock Company, debtor above named, and proponents of changes and modifications in the plan of reorganization of the above named debtor corporations in this cause, hereby appeal to the United States Circuit Court of Appeals for the Ninth Circuit, from the minute order dated May 22, 1939, granting the motion of the Committee of Preferred Stockholders of Consolidated Rock Products Co., to dismiss the proposal for changes and modifications in the plan of reorganization filed by appellants, and from the order entitled “order granting motion to dismiss proposal of Rogers, et al and dismissing said proposal”, entered herein on the 5th day of June, 1939, and dated June 3, 1939.

Dated: June 20, 1939.

CHASE, BARNES & CHASE,
LUCIUS K. CHASE,
THOMAS R. SUTTNER,
Attorneys for Appellants.”

On June 20, 1939 appellants filed with the District Court their petition for allowance of an appeal from said order, in due form of law, together with their assignment of errors, which said

ASSIGNMENT OF ERRORS

reads as follows:

“Come now Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers, Horace V. Goodrich, Henry C. Chase, Jack B. Rogers, Carlton M. Rogers, Howard M. Rogers, Rogers Corporation, Ltd., and Carlton Properties, Inc. Ltd., owners and holders of shares of common stock of Consolidated Rock Products Co., debtor above named, and George A. Rogers, Inc. Ltd. owner and holder of bonds of [21] Union Rock Company, debtor above named, proponents of changes and modifications in plan of reorganization of the above named debtor corporations heretofore filed and confirmed herein, and in support of their petition filed herewith praying leave to appeal to the United States Circuit Court of Appeals for the Ninth Circuit, make the following assignment of errors, which they aver occurred at the hearing and determination of this

proceeding and in the rendering of the orders appealed from:

I.

The court erred in making and entering the minute entry of May 22, 1939, dismissing appellants' proposal for changes and modifications in the plan of reorganization of the debtors above named.

II.

The court erred in making and entering the order of June 5, 1939, dismissing appellants' proposal for changes and modifications in the plan of reorganization of the debtors above named;

III.

The court erred in making and entering the orders of May 22, 1939 and June 5, 1939, granting the motion of the Committee of Preferred Stockholders of Consolidated Rock Products Co. to dismiss appellants' proposal for changes and modifications in said plan of reorganization of the debtors above named;

IV.

The court erred in determining that it had no jurisdiction on May 22, 1939 to hear the proposal of appellants for changes and modifications in the plan of reorganization of the above named debtor corporations;

V.

The court erred in determining that appellants' proposal for changes and modifications in said plan of reorganization [22] should be dismissed for want of jurisdiction;

VI.

The court erred in determining that if the Circuit Court of Appeals should enter an order affirming the appeal of E. Blois DuBois from the decree confirming the plan of reorganization of the above named debtor corporations now pending before said court, no jurisdiction will thereafter rest in the District Court to consider any proposal for changes or modifications in said plan of reorganization;

VII.

The court erred in determining that if the final order of the Circuit Court of Appeals in said appeal of E. Blois DuBois from the decree confirming the plan of reorganization of the above named debtor corporations is not an affirmance of the decree appealed from by said appellant, then the District Court can proceed only in accordance with the mandate of the Circuit Court, when final, and cannot then consider a proposal for changes and modifications in the plan of reorganization of said debtor corporations.

VIII.

The court erred in not determining that the trial court's jurisdiction to pass upon appellants' proposal for modification of the plan of reorganization of the debtors above named was suspended as a matter of law during the pendency of the appeal of E. Blois DuBois from the decree confirming said plan of reorganization.

Wherefore, appellants pray that the decree of the District Court appealed from shall be reversed.

Dated: June 20, 1939." [23]

On June 20, 1939, said petition for allowance of appeal was granted and an order made thereon as follows:

"In the above entitled case (mentioned in the petition to which this order is attached) it is ordered that the appeal therein prayed for be, and the same is, hereby allowed and the court hereby fixes the amount of the cost bond to be given by the appellants, the parties named in said petition, in the sum of Two Hundred Fifty Dollars (\$250.00); and

It is further ordered that the cost bond in said amount, heretofore filed by petitioners, shall be deemed compliance with this order.

Dated: June 20, 1939.

HARRY A. HOLLZER,
United States District Judge"

Following is a

STATEMENT OF THE POINTS TO BE
RELIED ON BY APPELLANTS,

as required by Rule 76, Rules of Civil Procedure.

I.

The District Court Erred in Dismissing Appellants' Proposed Changes and Modifications in the Plan of Reorganization of the Debtor Corporations, on the Ground That It Had No Jurisdiction to Make Said Modifications, Because

(1) The power to make such modifications after the confirmation of the plan of reorganization is expressly conferred upon District Courts of the United States by statute, to-wit: Sec. 77B of the old Bankruptcy Act and Sec. 222 of Chap. X of the Chandler Act;

(2) Prior to the confirmation of the plan of reorganization the District Court had made and entered an order permitting appellants to withdraw the proposed Changes and Modifications then on file without prejudice to the renewal thereof after confirmation of the plan;

(3) The appeal of E. Blois DuBois, a dissenting bondholder, was not perfected until after appellants' proposal for modifi- [24] cation had been filed in the District Court for the second time;

(4) The effect of the appeal of E. Blois DuBois could at most only suspend the Dis-

trict Court's jurisdiction during the pendency of that appeal so that subsequent to the determination thereof the District Court will have full jurisdiction to hear and consider appellants' proposals for Changes and Modifications, on their merits;

(5) The mandate of the Circuit Court of Appeals in the DuBois case when issued cannot restrict the power and jurisdiction of the District Court to supervise, change and modify the Debtor's plan of reorganization and said jurisdiction of the District Court will continue until consummation of the Plan and entry of the Final Decree.

On June 20, 1939, appellants filed in the District Court a bond in the sum of \$250.00, with sufficient surety, conditioned to secure the payment of costs if the appeal is dismissed or the judgment affirmed, or of such costs as the Appellate Court may award if the judgment is modified.

The foregoing agreed statement constitutes the record on this appeal for all purposes.

Dated: July 14, 1939.

CHASE, BARNES & CHASE,
LUCIUS K. CHASE, and
THOMAS R. SUTTNER,

By LUCIUS K. CHASE,

Attorneys for Alfred E. Rog-
ers, L. L. Rogers, Lucy H.
Rogers, Horace V. Goodrich,
Henry C. Chase, Jack B. Rog-
ers, Carlton M. Rogers, How-
ard M. Rogers, Rogers Corpo-
ration, Ltd., Carlton Prop-
erties, Inc. Ltd. and George
A. Rogers, Inc. Ltd.

MOTT AND GRANT,

JOHN G. MOTT,

KENNETH E. GRANT and

HOWARD A. GRANT,

By KENNETH E. GRANT,

Attorneys for E. Blois DuBois.

[25]

LATHAM & WATKINS, and

PAUL R. WATKINS,

By PAUL R. WATKINS,

Attorneys for Consolidated Rock
Products Co., Union Rock
Company and Consumers
Rock & Gravel Company, Inc.

STANLEY M. ARNDT,

Attorney for Edward E. Hatch
and Louis Van Gelder, Com-
posing the Consolidated Rock
Products Co. Preferred Stock-
holders' Committee.

O'MELVENY, TULLER &
MYERS,

HOMER I. MITCHELL, and
GRAHAM L. STERLING, JR.

By GRAHAM L. STERLING, JR.

Attorneys for F. B. Badgley,
R. E. Frith, T. Fenton Knight
and Walter S. Taylor, Com-
posing the Union Rock Com-
pany Bondholders' Protective
Committee.

GIBSON, DUNN &
CRUTCHER,

J. C. MACFARLAND,
THOMAS H. JOYCE, and
FREDERIC H. STURDY,

By THOMAS H. JOYCE,

Attorneys for Wm. D. Court-
wright, Fred L. Dreher, F. J.
Gay, Alfred Ginoux and Guy
Witter, Composing the Con-
sumers Rock and Gravel Com-
pany, Inc., Bondholders' Pro-
tective Committee.

CERTIFICATE OF COURT ON AGREED
STATEMENT OF FACTS

The undersigned, Harry A. Hollzer, Judge of the United States District Court for the Southern District of California, Central Division, hereby certifies that the foregoing agreed statement of the case conforms with the truth and fully and fairly presents all evidence taken and proceedings had before the Special Master and the Court which are essential to decision of the questions on appeal raised by the Assignment of Errors filed by appellants Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers, Horace V. Goodrich, Henry C. [26] Chase, Jack B. Rogers, Carlton M. Rogers, Howard M. Rogers, Rogers Corporation, Ltd., and Carlton Properties, Inc. Ltd., and George A. Rogers, Inc. Ltd., and the points to be relied on by said appellants which are made a part of said statement.

Dated: July 17, 1939.

H. A. HOLLZER,

Judge.

[Endorsed]: Filed Jul. 18, 1939. [27]

[Title of District Court and Cause.]

CLERK'S CERTIFICATE

I, R. S. Zimmerman, Clerk of the District Court of the United States for the Southern District of California, do hereby certify the foregoing pages numbered from 1-a to 28, contain the Original Cita-

tion, a full, true and correct copy of the Names and Addresses of Attorneys; Agreed Statement of the Case, which constitute the Record on Appeal to the United States Circuit Court of Appeals for the Ninth Circuit.

I do further certify that the fees of the Clerk for comparing, correcting and certifying the foregoing record amount to \$4.55, and that said amount has been paid me by the Appellant herein.

In testimony whereof, I have hereunto set my hand and affixed the Seal of the said Court this 19th day of July, A. D. 1939.

[Seal]

R. S. ZIMMERMAN,

Clerk,

By: EDMUND L. SMITH,

Deputy Clerk.

[Endorsed]: No. 9214. United States Circuit Court of Appeals for the Ninth Circuit. Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers, et al., Appellants, vs. Consolidated Rock Products Co., F. B. Badgley, R. E. Frith, Appellees. Transcript of Record. Upon Appeal from the District Court of the United States for the Southern District of California, Central Division.

Filed July 20, 1939.

PAUL P. O'BRIEN,

Clerk of the United States Circuit Court of Appeals
for the Ninth Circuit.

In the United States Circuit Court of Appeals for
the Ninth Circuit.

No. 9214

In Proceedings for the Reorganization of a
Corporation.

In the Matter of

CONSOLIDATED ROCK PRODUCTS CO.,
a Delaware corporation,

Debtor,

UNION ROCK COMPANY,
a corporation,

Subsidiary,

and

CONSUMERS ROCK & GRAVEL COMPANY
INC., a corporation,

Subsidiary.

PETITION FOR LEAVE TO APPEAL TO THE
UNITED STATES CIRCUIT COURT OF
APPEALS, FOR THE NINTH CIRCUIT.

To the Honorable Judges of the United States Cir-
cuit Court of Appeals, for the Ninth Circuit:

Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers,
Horace V. Goodrich, Henry C. Chase, Jack B.
Rogers, Carlton M. Rogers, Howard M. Rogers,
Rogers Corporation, Ltd., and Carlton Properties,
Inc., Ltd., owners and holders of shares of common
stock of Consolidated Rock Products Co., debtor
above named, and George A. Rogers, Inc., Ltd.

owner and holder of bonds of Union Rock Company, debtor above named, proponents of changes and modifications in the plan of reorganization of the above named debtor corporations heretofore filed and confirmed herein, feeling themselves aggrieved by the order of the District Court of the United States for the Southern District of California, Central Division, entered herein on the 5th day of June, 1939, entitled "Order Granting Motion to Dismiss Proposal of Rogers, et al., and Dismissing Said Proposal", by the Honorable Harry A. Hollzer, Judge of said Court, whereby the proposal of petitioners for changes and modifications in the plan of reorganization of the above named debtor corporations was dismissed on the motion of the committee of preferred stockholders of Consolidated Rock Products Co. pursuant to a hearing had on said motion on May 22, 1939, hereby petition for leave to appeal to the United States Circuit Court of Appeals for the Ninth Circuit from such order and the whole thereof, for the reasons set forth in petitioners' assignment of errors presented and filed with this petition, reference to which is hereby made.

Your petitioners present herewith typed copies of papers filed and orders entered in the District Court for consideration by this court in connection with this petition.

Your petitioners pray that appeal to the United States Circuit Court of Appeals for the Ninth Circuit may be allowed them, that the amount of cost

bond on appeal be fixed, and that a citation be issued directed to the debtor above named, the Committee of Preferred Stockholders of Consolidated Rock Products Co., Union Rock Company Bondholders Protective Committee, Consolidated Rock & Gravel Co., Inc., Bondholders Protective Committee and E. Blois DuBois, commanding them, and each of them, to appear before the said United States Circuit Court of Appeals for the Ninth Circuit, to do and receive that which may appertain to justice in the premises, and that a transcript of the record, proceedings and papers upon which said orders were made shall be duly made and authenticated and sent to the aforesaid Circuit Court of Appeals, and that such other and further order may be made as may be proper.

Dated: June 20, 1939.

CHASE, BARNES & CHASE,
LUCIUS K. CHASE,
THOMAS R. SUTTNER,

Attorneys for Alfred E. Rogers,
L. L. Rogers, Lucy H. Rogers,
Rogers Corporation, Ltd.,
Carlton Properties, Inc., Ltd.,
Horace V. Goodrich, Henry C.
Chase, Jack B. Rogers, Carl-
ton M. Rogers, Howard N.
Rogers and George A. Rogers.
Inc., Ltd., Proponents of
changes and modifications in
plan of reorganization of
debtor corporations above
named.

[Endorsed]: Filed June 22, 1939. Paul P. O'Brien, Clerk.

[Clerk's Note: Assignment of errors filed in Circuit Court of Appeals on June 22, 1939, in connection with preceding petition for appeal, is identical to assignments of error filed in District Court, heretofore set forth herein at pages 35 to 38 and is not reprinted here to avoid duplication and expense.]

United States Circuit Court of Appeals for the
Ninth Circuit.

Excerpt from proceedings of Monday, June 26,
1939.

[Title of Cause.]

ORDER SUBMITTING PETITION FOR
ALLOWANCE OF APPEAL

Good cause therefor appearing, Ordered petition of Alfred E. Rogers, et al., filed June 22, 1939, for allowance of appeal herein submitted to the Court for consideration and decision.

In the United States Circuit Court of Appeals, for
the Ninth Circuit.

No. 9214

In Proceedings for the Reorganization of a
Corporation.

In the Matter of

CONSOLIDATED ROCK PRODUCTS CO.,
a Delaware corporation,

Debtor,

UNION ROCK COMPANY,
a corporation,

Subsidiary,

and

CONSUMERS ROCK & GRAVEL COMPANY,
INC., a corporation,

Subsidiary.

ALFRED E. ROGERS, L. L. ROGERS, LUCY
H. ROGERS, HORACE V. GOODRICH,
HENRY C. CHASE, JACK B. ROGERS,
CARLTON M. ROGERS, HOWARD M.
ROGERS, ROGERS CORPORATION, LTD.,
and CARLTON PROPERTIES, INC., LTD.,
owners and holders of shares of common stock
of CONSOLIDATED ROCK PRODUCTS
CO., and GEORGE A. ROGERS, INC. LTD.,

owner and holder of bonds of UNION ROCK
COMPANY,

Appellants,

vs.

CONSOLIDATED ROCK PRODUCTS CO.,
F. B. BADGLEY, R. E. FRITH, T. FENTON
KNIGHT, and WALTER S. TAYLOR, com-
posing UNION ROCK COMPANY BOND-
HOLDERS' PROTECTIVE COMMITTEE;
WM. D. COURTWRIGHT, FRED L.
DREHER, F. J. GAY, ALFRED GINOUX
and GUY WITTER, composing CONSUM-
ERS ROCK AND GRAVEL COMPANY,
INC. BONDHOLDERS' PROTECTIVE
COMMITTEE; EDWARD E. HATCH and
LOUIS VAN GELDER, composing PRE-
ferred STOCKHOLDERS' COMMITTEE
OF CONSOLIDATED ROCK PRODUCTS
CO. and E. BLOIS DuBOIS,

Appellees.

STATEMENT OF POINTS RELIED UPON ON
APPEAL, AND DESIGNATION OF REC-
ORD FOR PRINTING.

Appellants state that they intend to rely upon the points mentioned in the "statement of points relied on" at pages 24 and 25 of the Agreed Statement of Case and Record upon Appeal herein and also upon the "assignment of errors" in said record contained at pages 21, 22 and 23 thereof, and appel-

lants designate the following as the parts of the record which they think necessary for the consideration of the points upon which they intend to rely in this appeal, and for printing:

All those parts of the record contained in the Agreed Statement of Case and Record upon Appeal signed by the attorneys for appellants and appellees and approved by the Honorable Harry A. Hollzer, United States District Judge, on July 17, 1939, are to be printed, and in addition any stipulations or orders relating to an extension of time to docket the appeal that may be hereafter made.

Dated: July 18, 1939.

CHASE, BARNES & CHASE,
LUCIUS K. CHASE, and
THOMAS R. SUTTNER,
By THOMAS R. SUTTNER,
Attorneys for Alfred E. Rogers,
L. L. Rogers, Lucy H. Rogers,
Horace V. Goodrich,
Henry C. Chase, Jack B.
Rogers, Carlton M. Rogers,
Howard M. Rogers, Rogers
Corporation, Ltd., Carlton
Properties, Inc. Ltd. and
George A. Rogers, Inc. Ltd.

Service of the within admitted this 18th day of July, 1939.

MOTT & GRANT,
Attorneys for E. B. DuBois.

Service of the within statement admitted this 18th day of July, 1939.

STANLEY ARNDT,

Attorney for Pfd. Stockholders
Com.

Received copy of the within document Jul. 18, 1939.

GIBSON, DUNN & CRUTCHER

Per A.

Received copy of the within Statement this 18th day of July, 1939.

LATHAM & WATKINS

By: D. C. WORLEY.

Received copy of the within document July 18, 1939.

O'MELVENY, TULLER &

By L. A. D.

MYERS

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

In the Matter of
CONSOLIDATED ROCK PRODUCTS CO., a Delaware corporation,
UNION ROCK COMPANY, a corporation,
and
CONSUMERS ROCK & GRAVEL COMPANY, INC., a corporation,

Debtor,
Subsidiary,
Subsidiary.

ALFRED E. ROGERS, L. L. ROGERS, LUCY H. ROGERS, HORACE
V. GOODRICH, HENRY C. CHASE, JACK B. ROGERS, CARLTON
M. ROGERS, HOWARD M. ROGERS, ROGERS CORPORATION,
LTD., and CARLTON PROPERTIES, INC. LTD., owners and
holders of shares of common stock of CONSOLIDATED ROCK
PRODUCTS CO., and GEORGE A. ROGERS, INC. LTD., owner
and holder of bonds of UNION ROCK COMPANY,

Appellants,

vs.

CONSOLIDATED ROCK PRODUCTS CO., F. B. BADGLEY, R. E.
FRITH, T. FENTON KNIGHT and WALTER S. TAYLOR, com-
posing UNION ROCK COMPANY BONDHOLDERS' PROTEC-
TIVE COMMITTEE; WM. D. COURTWRIGHT, FRED L.
DREHER, F. J. GAY, ALFRED GINOUX and GUY WITTER,
composing CONSUMERS ROCK AND GRAVEL COMPANY, INC.,
BONDHOLDERS' PROTECTIVE COMMITTEE; EDWARD E.
HATCH and LOUIS VAN GELDER, composing PREFERRED
STOCKHOLDERS' COMMITTEE OF CONSOLIDATED ROCK
PRODUCTS CO. and E. BLOIS DUBOIS,

Appellees.

APPELLANTS' OPENING BRIEF.

CHASE, BARNES & CHASE,
LUCIUS K. CHASE,
THOMAS R. SUTTNER,
610 Title Insurance Building, Los Angeles,
Solicitors for Appellants.

FILED
SEP 11 - 1939



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There are obvious reasons why such a decree is not a final decree and why District Courts are given power to modify plans of reorganization after confirmation. A plan can be perfect in detail and theory but imperfect from a practical standpoint. It may never be consummated. Property belonging to the debtor may be destroyed. Assets regarded as adequate to pay claims, or support new securities may be lost or become depreciated. Conversely, assets thought valueless may suddenly become of great worth. No one can deny that the District Court, in a situation where assets are lost and provisions in a plan have become impractical, would have the power to change or modify a plan, even after affirmance on appeal. Equity would require that if worthless assets become extremely valuable a modification making a plan more favorable to junior creditors or stockholders would be the duty of the District Court.

All that affirmance of a plan of reorganization by this or even the Supreme Court can mean is that the plan, as proposed, is "fair and equitable." In this the judgment of the appellate court rises no higher than that of the District Court, and the affirmance of an interlocutory decree does not result in a decree more final than the one reviewed. (*John Simmons Co. v. Grier*, 258 U. S. 82, 89, 42 S. Ct. 196, 199, 66 L. Ed. 475.)

On receiving the mandate on an affirmance (if such is this court's decision in the DuBois appeal) the District Court at once regains full jurisdiction over the cause until consummation of the plan and *final* decree. During this time it has jurisdiction to hear appellants' modifications on the merits, and to make such disposition thereof as its discretion dictates. Of course, if the DuBois appeal re-

sults in a reversal there will be no plan to modify and the proposed modifications will fall of their own weight.

The District Court therefore erred in determining, as it did, that “if the final order of the Circuit Court of Appeals is an order affirming said order appealed from, no jurisdiction will rest in this court to consider any proposal for changes or modifications in said plan of re-organization.” [Tr. p. 32.] Appellants submit that until final decree the District Court has jurisdiction and full discretion to hear appellants’ proposal for changes and modifications in the plan.

Conclusion.

Appellants do not complain because the District Court failed immediately to hear and pass upon the merits on the date of the hearing, even though appellants believe that the court had jurisdiction at that time to make such changes and modifications as it deemed proper. What appellants urge as the error of the District Court is the *dismissal* of appellants’ proposal, foreclosing them once and for all from urging their grounds of modification even after the DuBois appeal has been decided and the trial court’s jurisdiction restored.

Appellants respectfully submit that the order granting the motion to dismiss appellants’ proposed modification should be reversed.

CHASE, BARNES & CHASE,
LUCIUS K. CHASE,
THOMAS R. SUTTNER,

Solicitors for Appellants.

as amended, and as then in effect. Said petitions (set out in full in the transcript filed in this Court in the DuBois appeal, No. 9000, mentioned above) were duly and regularly filed and contained allegations necessary and proper to confer jurisdiction upon the Court. [Tr. p. 8.] On the same date the Court entered its orders approving said petitions as properly filed under said Section 77B. [Tr. p. 8.]

On April 28, 1937, Consolidated, the Union Bondholders' Protective Committee and the Consumers Bondholders' Protective Committee filed their petition with the District Court submitting a plan of reorganization, dated March 15, 1937. [Tr. p. 8.] After a hearing on November 1, 1937, the Court entered an order on November 3, 1937, referring said plan of reorganization and the objections of E. Blois DuBois, to a special master before whom a hearing was held. The Findings and Report of the master were filed February 14, 1938. [Tr. p. 9.]

Hearing on exceptions by E. Blois DuBois to the Findings and Report of the master and on constitutional questions presented by objectors to the plan, was had before the Court on March 7, 1938, and all matters were taken under submission by the Court. Thereafter, on September 8, 1938, the Court entered its Findings and Order confirming the Plan of Reorganization and the Findings and Report of the master. [Tr. p. 9.]

On August 26, 1938, prior to the entry of the order of confirmation, Alfred E. Rogers, L. L. Rogers, Lucy H. Rogers, Horace V. Goodrich, Henry C. Chase, Jack B.

Rogers, Carlton M. Rogers, Howard M. Rogers, Rogers Corporation, Ltd., and Carlton Properties, Inc., Ltd., owners and holders of shares of common stock of Consolidated Rock Products Co., and George A. Rogers, Inc., Ltd., owner and holder of bonds of Union Rock Company, appellants herein, filed in the District Court, in said proceedings, their petition entitled "Proposal For Changes And Modifications in The Plan of Reorganization". [Tr. p. 11.] Alfred E. Rogers is the owner and holder of 1,500 shares of common stock of Consolidated, L. L. Rogers, 6,000 shares, Lucy H. Rogers 5,500 shares, Rogers Corporation, Ltd. 30,000 shares, Carlton Properties, Inc., Ltd. 6,000 shares, Horace V. Goodrich 200 shares, Henry C. Chase 1,100 shares, Jack B. Rogers 600 shares, Carlton M. Rogers 500 shares, Howard N. Rogers 500 shares, and George A. Rogers, Inc., Ltd. is the owner and holder of 50 bonds of Union Rock Company in the aggregate principal amount of \$50,000.00. [Tr. p. 19.] No written opposition or pleading in reply to the proposed modifications was filed by any of the other parties to the proceedings. Thereafter, at the request of counsel for the Debtor, for the Union Bondholders' Protective Committee and for the Consumers Bondholders' Protective Committee (for certain reasons hereinafter mentioned), and pursuant to order of Court made without prejudice to the renewal thereof, appellants' said proposal for changes and modifications was withdrawn. [Tr. p. 12.]

On September 17, 1938, appellants filed their said proposal for changes and modifications in the plan of re-

organization for the second time [Tr. p. 13]. No written opposition to the proposal, or pleading in reply, was made by any of the other parties.

Thereafter, on October 4, 1938 the District Court allowed the petition of E. Blois DuBois for an appeal to the United States Circuit Court of Appeals, for the Ninth Circuit, from the order of September 8, 1938, confirming said plan. [Tr. p. 20.] On October 24, 1938 said Circuit Court of Appeals granted the petition of E. Blois DuBois for an appeal from said order. [Tr. p. 20.] Said appeal has been prosecuted and has been argued and submitted to this Court.

Thereafter, by stipulation of all the parties hereto appellants' proposal for modifications was placed on the calendar of the District Court for May 22, 1939. [Tr. p. 20.]

On May 15, 1939, notice was given on behalf of the Committee of Preferred Stockholders of Consolidated that they would, on May 22, 1939, move to dismiss said proposal for modifications. [Tr. pp. 20-22.]

On May 22, 1939 said motion to dismiss was heard and granted by the District Court. [Tr. pp. 22-26.] On June 5, 1939, an order was entered in the District Court dismissing appellants' said proposal on the sole ground that said appeal of DuBois had deprived the District Court of jurisdiction to hear said proposal. [Tr. pp. 29-32.] Notice of entry of said order was served on June 5, 1939. [Tr. p. 33.]

2. *Proceedings on This Appeal.*

On June 20, 1939, pursuant to Rule 73B, Rules of Civil Procedure, and General Order in Bankruptcy, No. 36, appellants herein gave notice of appeal from said order of June 5, 1939. [Tr. p. 34.] On June 20, 1939, pursuant to Section 24 b of the Bankruptcy Act (11 U. S. C. A. 47B), as amended by the Chandler Act, appellants filed with the District Court their petition for leave to appeal from said order, together with assignments of error [Tr. pp. 35-38] and a costs bond in the sum of \$250.00. [Tr. p. 40.] On June 20, 1939 the District Court entered an order allowing said appeal and fixing the costs bond in the sum of \$250.00. Citation was issued and served on all parties to the cause. [Tr. pp. 3-5.]

On June 22, 1939, pursuant to Section 24 (b) of the Bankruptcy Act, as it existed prior to adoption of the Chandler Act of 1938, appellants filed in the United States Circuit Court of Appeals for the Ninth Circuit their petition for allowance of appeal to this court from said order of the District Court entered on June 5, 1939. [Tr. p. 48.] Assignments of error in the same form as presented to the District Court were filed at the same time. [Tr. p. 48.] On June 26, 1939, said petition for allowance of appeal was ordered submitted by the Circuit Court of Appeals for the Ninth Circuit. [Tr. p. 48.]

Thereafter an agreed statement of the case was prepared and stipulated to by the parties to this appeal, certified by the Honorable Harry A. Hollzer, District Judge, and filed in this court on July 20, 1939. [Tr. p. 44.]

Statement of the Case.

The plan of reorganization which appellants seek to modify was submitted to the District Court on April 28, 1937. [Tr. p. 8.] The detailed provisions are before this Court in the DuBois appeal. Briefly, the plan provides: All properties will be transferred to a new corporation, free of all claims of bondholders and stockholders. Capitalization of the new company will consist of bonds, preferred stock and common stock. The bonds will be secured by a blanket mortgage on all properties of the new company. Each present \$1,000.00 bondholder will receive \$500.00 principal amount of new bonds and \$500.00 par value of new preferred stock. Present bondholders will also receive warrants, entitling them over a period of five years to purchase common stock of the new company. Each present preferred stockholder will receive for each present preferred share one share of new common stock. Each present common stockholder will receive for each five shares of present common stock a warrant entitling him to purchase one share of new common stock at \$1.00, at any time within 3 months after its date. [Tr. pp. 9-10.]

The new bonds will be divided into "Series U" (to go to Union Rock Company bondholders) and "Series C" (to go to Consumers Rock & Gravel Company, Inc. bondholders). "Series U" will total \$938,500.00 and "Series C" \$568,500.00. Income from the combined properties will be divided into two equal parts, one of which will be applied to servicing the C Series and the other to the U Series. There is no distinction between the two series as to

priority of their lien. The new preferred stock is likewise divided into "Series U" and "Series C". There is no distinction as to priority between the series of new preferred stock; there is a similar provision for the allocation of income to their servicing. [Tr. p. 10.]

A voting trust is set up in which there is to be placed preferred stock of both classes U and C. Any bondholder who does not wish his preferred stock to be held in the voting trust will be entitled to receive his stock free of such trust, provided written notice of such intention is given within thirty days after confirmation of the plan. [Tr. p. 11.]

The changes and modifications which appellants proposed before the District Court were directed to (1) The stock purchase warrant to be issued to common stockholders [Tr. pp. 14-16]; (2) The equal allocation of income between bonds of Series U and Series C [Tr. pp. 16-18]; (3) The voting trust. [Tr. p. 19.] It is unnecessary to discuss the merits of the proposed modifications because the District Court at no time heard or passed upon them. [Tr. p. 26.]

Appellants' proposed modifications were first filed prior to the entry of the order of confirmation. [Tr. p. 11.] After being filed and called to the attention of the parties, a request was made by the attorneys for the Debtor, for the Union Bondholders' Committee, and for the Consumers Bondholders' Committee, that the proposed modifications be withdrawn, because they felt that said proposals interfered with the entry of the order of confirmation.

[Tr. p. 12.] A stipulation was signed by all the parties to this appeal reading:

“It Is Stipulated That an order be made herein authorizing the withdrawal of said Proposal for Changes and Modifications in Plan of Reorganization, without Prejudice to a renewal thereof after the Order for Confirmation shall have been signed, and that after such Order for Confirmation shall have been signed herein, such proposal may be renewed.”
[Tr. p. 12.]

The District Court then made the following order:

“It Is Ordered that said Proposal be withdrawn, without prejudice to renew the same after an order has been made herein confirming the plan of reorganization, and that after an order has been made herein confirming the plan of reorganization as proposed, said proponents shall be and are hereby authorized to renew their said proposal.” [Tr. pp. 12-13.]

The formal order was signed and entered on September 8, 1938 [Tr. p. 13] and on September 17, 1938, the proposal for modifications [Tr. pp. 13-20] was again filed by appellants. The DuBois appeal was allowed by the District Court on October 4, 1938. [Tr. p. 20.]

On May 22, 1939, by stipulation of all parties, appellants' proposed modifications were brought on for hearing. Prior to the date set for said hearing a notice of motion was served and filed by counsel for the Committee of Preferred Stockholders of Consolidated, to dismiss appellants' proposed modifications on the grounds that (1) the Court had no jurisdiction in the matter because the plan of reorganization sought to be modified was on appeal; (2) the

term in which said plan was approved had expired (subsequently abandoned—a court of bankruptcy has no terms, *Wayne United Gas Co. v. Owens-Illinois Glass Co.*, 300 U. S. 131, 57 S. Ct. 382, 81 L. Ed. 557); and (3) said appeal had been perfected and briefs filed therein. [Tr. p. 21.]

After argument at said hearing the trial Court determined that an order should be made granting the motion to dismiss. The District Judge recommended an appeal. [Tr. p. 26.] The proposed modifications were not argued; no evidence was introduced thereon and no inquiry was made into the merits. [Tr. p. 26.] The order of dismissal plainly states that it is made for want of jurisdiction. [Tr. p. 32.]

Question Involved.

The sole question involved is whether the trial Court erred in *dismissing*, for lack of jurisdiction, the changes and modifications in the plan of reorganization, proposed by appellants.

Designation of Assigned Errors Relied on.

Appellants designate the following assignments of error as the assigned errors to be relied upon:

Assignment III—[Tr. p. 36];

Assignment IV—[Tr. p. 36];

Assignment V—[Tr. p. 37];

Assignment VI—[Tr. p. 37].

Summary of Argument.

THE DISTRICT COURT ERRED IN DISMISSING APPELLANTS' PROPOSED CHANGES AND MODIFICATIONS IN THE PLAN OF REORGANIZATION OF THE DEBTOR CORPORATIONS, ON THE GROUND THAT IT HAD NO JURISDICTION TO MAKE SAID MODIFICATIONS, BECAUSE

(1) The power to make modifications after the confirmation of a plan of reorganization is expressly conferred upon District Courts of the United States by statute:

Bankruptcy Act, Sec. 77B (f) (11 U. S. C. A., §207, Subd. (f));

Chandler Act of 1938, Chap. X, Secs. 222, 223 (11 U. S. C. A., §§622, 623);

Brief, p. 15.

(2) Prior to the confirmation of the plan of reorganization the District Court had made and entered an order permitting appellants to withdraw the proposed changes and modifications then on file without prejudice to the renewal thereof after confirmation of the plan;

Brief, p. 18.

(3) The appeal of E. Blois DuBois, a dissenting bondholder, was not perfected until after appellants' proposal for modification had been filed in the District Court for the second time;

Brief, p. 18.

(4) The effect of the appeal of E. Blois DuBois could at most only suspend the District Court's jurisdiction during the pendency of that appeal so that subsequent to the determination thereof the District Court will have full jurisdiction to hear and consider appellants' proposals for changes and modifications, on their merits;

As a general rule, an appeal suspends the trial court's jurisdiction.

Ensminger v. Powers, 108 U. S. 292, 2 S. Ct. 643, 27 L. Ed. 732;

First National Bank v. State National Bank, 131 Fed. 430.

Exceptions to rule:

1. The trial court must only refrain from acts prejudicial to appellant.

Hovey v. McDonald, 109 U. S. 150, 3 S. Ct. 136, 142, 27 L. Ed. 888.

2. The general rule prevails only in the absence of a statute.

3 *Corpus Juris*, 1265;

Hovey v. McDonald, supra.

3. An appeal from an interlocutory order suspends jurisdiction only so far as affects the point appealed from.

Sutherland Paper Co. v. Michigan Carton Co., 14 Fed. (2d) 700, 29 Fed. (2d) 179.

4. An appeal *suspends*, does not destroy the trial court's jurisdiction.

First National Bank v. State National Bank, supra.

- A. The rights of appellant DuBois are not prejudiced;
Brief, p. 20.
- B. The general rule is altered by the statute involved.
Brief, p. 20.

(5) The mandate of the Circuit Court of Appeals in the DuBois case when issued cannot restrict the power and jurisdiction of the District Court to supervise, change and modify the Debtor's plan of reorganization and said jurisdiction of the District Court will continue until consummation of the plan and entry of the final decree.

A decree confirming a plan of reorganization is interlocutory.

Meyer v. Kenmore Hotel Co., 297 U. S. 160, 56 S. Ct. 405, 80 L. Ed. 557.

The District Court has jurisdiction to modify or rehear an interlocutory decree after affirmance of such decree.

John Simmons Co. v. Grier, 258 U. S. 82, 42 S. Ct. 196, 66 L. Ed. 475.

Therefore, the District Court may modify the decree of confirmation herein, after determination of the DuBois appeal.

Brief, p. 21.

ARGUMENT.

The District Court Erred in Dismissing Appellants' Proposed Changes and Modifications in the Plan of Reorganization of the Debtor Corporations on the Ground That It Had No Jurisdiction to Make Said Modifications.

Assignment of Error III [Tr. p. 36]:

“The court erred in making and entering the orders of May 22, 1939 and June 5, 1939, granting the motion of the Committee of Preferred Stockholders of Consolidated Rock Products Co. to dismiss appellants' proposal for changes and modifications in said plan of reorganization of the debtors above named;”

Assignment of Error IV [Tr. p. 36]:

“The court erred in determining that it had no jurisdiction on May 22, 1939 to hear the proposal of appellants for changes and modifications in the plan of reorganization of the above named debtor corporations;”

Assignment of Error V [Tr. p. 37]:

“The court erred in determining that appellants' proposal for changes and modifications in said plan of reorganization should be dismissed for want of jurisdiction;”

Assignment of Error VI [Tr. p. 37]:

“The court erred in determining that if the Circuit Court of Appeals should enter an order affirming the appeal of E. Blois DuBois from the decree confirming the plan of reorganization of the above named debtor corporations now pending before said court, no jurisdiction will thereafter rest in the District Court to consider any proposal for changes or modifications in said plan of reorganization.”

(1) THE POWER TO MAKE MODIFICATIONS AFTER THE CONFIRMATION OF A PLAN OF REORGANIZATION IS EXPRESSLY CONFERRED UPON DISTRICT COURTS OF THE UNITED STATES BY STATUTE.

Appellants' modifications were proposed nine days after the entry of the order confirming the plan. This chronological sequence was not, however, a ground urged for dismissal, nor can it support the order of dismissal because the Court is expressly authorized by statute to make modifications AFTER as well as before confirmation.

On September 17, 1938, which was prior to the effective date of the Chandler amendments, Section 77B of the Bankruptcy Act read in part as follows:

Sec. 77B, Subd. (f) (11 U. S. C. A., §207, Subd. (f)):

“Before or *after* a plan is confirmed, changes and modifications may be proposed therein by any party in interest and may be made with the approval of the judge after hearing upon notice to creditors and stockholders, subject to the right of any creditor or stockholder who shall previously have accepted the plan to withdraw his acceptance, within a period to be fixed by the judge and after such notice as the judge may direct, if, in the opinion of the judge, the change or modification will be materially adverse to the interest of such creditor or stockholder and if any creditor or stockholder having such right of withdrawal shall not withdraw within such period, he shall be deemed to have accepted the plan as changed or modified: *Provided, however,* That the plan as changed or modified shall comply with the provisions of subdivision (b) of this section and shall have been or shall thereafter be accepted as required by the pro-

visions of subdivision (e), clause (1), of this section, including acceptances by reason of failure to withdraw as hereinbefore provided, and the provisions of this subdivision (f), and of subdivision (e), clause (2), of this section, shall have been complied with in respect thereof.”

Subsequently, the Chandler amendments took effect, with Chapter X, Secs. 222 and 223, reading as follows:

“Sec. 222. A plan may be altered or modified, with the approval of the judge, after its submission for acceptance and before or after its confirmation if, in the opinion of the judge, the alteration or modification does not materially and adversely affect the interests of creditors or stockholders. If the judge finds that the proposed alteration or modification filed with his approval does materially and adversely affect the interests of creditors or stockholders, he shall fix a hearing for the consideration, and a subsequent time for the acceptance or rejection of such alteration or modification. The requirements in regard to notice of hearing, to submission to the Securities and Exchange Commission, to acceptance, to filing and hearing of objections to confirmation and to the confirmation, as prescribed in article VII of this chapter in regard to the plan proposed to be altered or modified, shall be complied with. (11 U. S. C. A., Sec. 622.)

“Sec. 223. Any creditor or stockholder who has previously accepted the plan proposed to be altered or modified and who does not file a written rejection of the proposed alteration or modification within the time fixed by the judge, shall be deemed to have accepted the alteration or modification and the plan so altered or modified unless the previous acceptance provides otherwise.” (11 U. S. C. A., Sec. 623.)

The petition for reorganization of Consolidated and its subsidiaries was approved more than three months before the effective date of the Chandler Act or amendments, therefore, the quoted Sections 222 and 223 of the Chandler Act apply to the proceedings only "to the extent that the judge shall deem their application practicable." (Chandler Act, Chapter X, Sec. 276C (2), 11 U. S. C. A., Sec. 1086.) Because the proposed modifications were at no time heard on their merits, the extent of the application of the new statute was never determined by the trial judge. However, the substance of the two statutes is identical and their meaning is not open to doubt. Both expressly state that the changes and modifications may be proposed "*before or after*" the plan is confirmed. Citation of authority is unnecessary, indeed, appellants know of no case in which the power and jurisdiction of the Court to make modifications after a confirmation has even been questioned.

The statute requires only that the changes and modifications be proposed by "any party in interest". Appellants, including in their numbers ten stockholders and one bondholder, were vitally interested parties. (See *In re Baldwin Locomotive Works*, 21 Fed. Supp. 94.) This fulfilled the entire requirement of the statute from the standpoint of jurisdiction.

Whether the modifications should or should not be made is not involved in this appeal. Jurisdiction is the only point and this, appellants submit, is settled by the statute itself.

- (2) PRIOR TO THE CONFIRMATION OF THE PLAN OF REORGANIZATION THE DISTRICT COURT HAD MADE AND ENTERED AN ORDER PERMITTING APPELLANTS TO WITHDRAW THE PROPOSED CHANGES AND MODIFICATIONS THEN ON FILE WITHOUT PREJUDICE TO THE RENEWAL THEREOF AFTER CONFIRMATION OF THE PLAN.

This point is made merely to forestall any claim of estoppel by appellees. All of appellees stipulated to the withdrawal without prejudice to the renewal. [Tr. p. 12.] The Court made its order accordingly [Tr. pp. 12-13] and thus did not pass on the merits of the proposed modifications at that time. Indeed, the Court expressly authorized, in its order, the renewal after the confirmation. [Tr. pp. 12-13.]

- (3) THE APPEAL OF DUBOIS WAS NOT PERFECTED UNTIL AFTER APPELLANTS' PROPOSAL FOR MODIFICATIONS HAD BEEN FILED IN THE DISTRICT COURT FOR THE SECOND TIME.

It is difficult to understand how the DuBois appeal can be said to have the effect of depriving the court of jurisdiction to hear the proposed modifications when said appeal, in point of time, was *subsequent* to the date appellants filed their said proposal for modifications. Indeed it would seem that the converse would be true—that the modifications should have been disposed of prior to the appeal and that it might better be argued that the appeal of DuBois is premature. But appellants do not believe that it is necessary to take so drastic a position; it is appellants' contention, as hereinafter argued, that both the DuBois appeal and the appellants' modifications had, and still have, standing in court and that properly viewed, neither is inconsistent with the other.

- (4) THE EFFECT OF THE APPEAL OF E. BLOIS DUBOIS COULD AT MOST ONLY SUSPEND THE DISTRICT COURT'S JURISDICTION DURING THE PENDENCY OF THAT APPEAL SO THAT SUBSEQUENT TO THE DETERMINATION THEREOF THE DISTRICT COURT WILL HAVE FULL JURISDICTION TO HEAR AND CONSIDER APPELLANTS' PROPOSALS FOR CHANGES AND MODIFICATIONS, ON THEIR MERITS.

Unquestionably, it is the general rule that an appeal from a final order *suspends* the trial court's jurisdiction.

Ensminger v. Powers, 108 U. S. 292, 2 S. Ct. 643, 27 L. Ed. 732;

Hovey v. McDonald, 109 U. S. 150, 3 S. Ct. 136, 142, 27 L. Ed. 888;

First National Bank v. State National Bank, 131 Fed. 430.

This is, however, a *general* but not an *invariable* rule, and there are several exceptions, among which are:

1. That the trial court is forbidden to make or do only those acts which will *prejudice* the rights of appellant.

Hovey v. McDonald, 109 U. S. 150, 3 S. Ct. 136, 142, 27 L. Ed. 888;

3 *Corpus Juris* 1265.

2. That the general rule prevails only in absence of statute.

Hovey v. McDonald, *supra*.

3. That where the appeal is from an interlocutory order the trial court's jurisdiction is suspended only so far as affects the point appealed from.

Sutherland Paper Co. v. Michigan Carton Co., 14 Fed. (2d) 700; 29 Fed. (2d) 179.

4. That the trial court's jurisdiction is merely *suspended*, not destroyed.

First National Bank v. State National Bank, supra.

A. The first qualification given above is that the rule operates only where the appellant's rights (in this case DuBois' rights) would be *prejudiced*. How can it be said that any or all of DuBois' rights would be prejudiced here where the trial court made no inquiry into the contentions of DuBois on appeal but dismissed the modifications, without effort to inquire into their merits? Indeed, this Court, from its judicial knowledge of the DuBois appeal, knows that only one of appellants' modifications in any way even slightly conflicts with the DuBois contentions, this being the proposed alteration of the stock purchase warrants for common stockholders, and that the proposed change of the income allocation and voting trust provisions are in aid of DuBois' position. If the District Court felt that any proposed modification conflicted with DuBois' rights on appeal it might have considered the other proposals and refused to act on the one. But it should not have *dismissed* the proposed modifications and thus deprived appellants in this cause of their rights forever.

B. The second qualification stated above is that the rule prevails only in the absence of a statute.

Appellants submit that such a statute is present here. Neither Sec. 77B (f) nor Sec. 222 of Chapter X makes any provision restricting modifications after appeal and by giving the Court the power to change or modify a plan of reorganization after confirmation and at the same time incorporating a 30 day time limitation on the

right to take an appeal, the statute must necessarily authorize modifications in the District Court after appeal. It would be impossible, in this space of time, to hear modifications, permit acceptance or withdrawals, and still permit an appeal to other parties.

It cannot be argued that appellants should apply to the Circuit Court of Appeals to make or consider the proposed modifications because the "court" referred to throughout the Bankruptcy Act, including Sec. 77B, is the *District Court*. The Circuit Court of Appeals is not a court of bankruptcy. (*Amick v. Columbia Casualty Co.*, 101 Fed. (2d) 984.)

(5) THE MANDATE OF THE CIRCUIT COURT OF APPEALS IN THE DuBOIS CASE WHEN ISSUED CANNOT RESTRICT THE POWER AND JURISDICTION OF THE DISTRICT COURT TO SUPERVISE, CHANGE AND MODIFY THE DEBTOR'S PLAN OF REORGANIZATION AND SAID JURISDICTION OF THE DISTRICT COURT WILL CONTINUE UNTIL CONSUMMATION OF THE PLAN AND ENTRY OF THE FINAL DECREE.

This point is inseparably bound with (4). If the trial court has jurisdiction to modify the plan after affirmance then, regardless of the state of its jurisdiction during the DuBois appeal, it should not have dismissed appellants' proposed modifications but should have deferred the hearing until subsequent to the mandate in the DuBois appeal.

The District Court has jurisdiction to modify or rehear an interlocutory decree after affirmance of such decree.

John Simmons Co. v. Grier, 258 U. S. 82, 42 S. Ct. 196, 66 L. Ed. 475.

A decree confirming a plan of reorganization is not a final decree but is interlocutory in nature.

Meyer v. Kenmore Hotel Co., 297 U. S. 160, 56 S. Ct. 405, 80 L. Ed. 557.

In *Meyer v. Kenmore Hotel*, *supra*, the Supreme Court has said, speaking of a decree of confirmation of a plan of reorganization:

“But we think it plain that an order confirming a plan of reorganization under section 77B is not the equivalent of a judgment granting or denying a discharge, for, unlike confirmation of a composition, see section 14c, 30 Stat. 550, 11 U. S. C. §32 (c), 11 U. S. C. A. §32 (c), it does not operate as a discharge. The release of the debtor in a reorganization proceeding is contingent upon the performance of its part of the reorganization plan. Section 77B (h), 11 U. S. C. A. §207 (h), commands the debtor and others to execute the plan of reorganization, when confirmed, under the direction of the court, authorizes the court to make appropriate orders to that end, and provides that ‘upon the termination of the proceedings a *final decree* shall be entered,’ which ‘shall discharge the debtor from its debts and liabilities.’ Discharge is effected not by confirmation of the plan but by the final decree.

Confirmation of a plan of reorganization is but a step in the administration of the debtor’s estate, and, for reasons already stated, is an order in a proceeding in bankruptcy rather than a controversy arising in bankruptcy proceedings, and appeal lies only in the discretion of the appellate court.” (Italics ours.)

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

In the Matter of
CONSOLIDATED ROCK PRODUCTS CO., a Delaware corporation,
Debtor,
UNION ROCK COMPANY, a corporation,
Subsidiary,
and
CONSUMERS ROCK & GRAVEL COMPANY, INC., a corporation,
Subsidiary.

ALFRED E. ROGERS, L. L. ROGERS, LUCY H. ROGERS, HORACE
V. GOODRICH, HENRY C. CHASE, JACK B. ROGERS, CARLTON
M. ROGERS, HOWARD M. ROGERS, ROGERS CORPORATION,
LTD., and CARLTON PROPERTIES, INC. LTD., owners and
holders of shares of common stock of CONSOLIDATED ROCK
PRODUCTS CO., and GEORGE A. ROGERS, INC. LTD., owner
and holder of bonds of UNION ROCK COMPANY,
Appellants,

vs.

CONSOLIDATED ROCK PRODUCTS CO., F. B. BADGLEY, R. E.
FRITH, T. FENTON KNIGHT and WALTER S. TAYLOR, com-
posing UNION ROCK COMPANY BONDHOLDERS' PROTEC-
TIVE COMMITTEE; WM. D. COURTWRIGHT, FRED L.
DREHER, F. J. GAY, ALFRED GINOUX and GUY WITTER,
composing CONSUMERS ROCK AND GRAVEL COMPANY, INC.,
BONDHOLDERS' PROTECTIVE COMMITTEE; EDWARD E.
HATCH and LOUIS VAN GELDER, composing PREFERRED
STOCKHOLDERS' COMMITTEE OF CONSOLIDATED ROCK
PRODUCTS CO. and E. BLOIS DUBOIS,
Appellees.

APPELLANTS' OPENING BRIEF.

This appeal arises in the proceedings for reorganization of Consolidated Rock Products Co., a Delaware corporation, pursuant to Section 77B of the Bankruptcy Act of 1898, as amended. Another appeal in the same proceedings entitled "E. Blois DuBois, appellant, vs. Consolidated Rock Products, *et al.*, appellees, No. 9000" (hereinafter termed "the DuBois Appeal") is now pending before this Court. In the briefs filed in that appeal Consolidated Rock Products Co. is referred to as "Consolidated", Union Rock Company as "Union" and Consumers Rock and Gravel Company, Inc. as "Consumers" and the same terminology will be followed herein.

Statement of Pleadings and Jurisdictional Basis.

This cause concerns only the validity of an order made by the District Court dismissing appellants' proposal for changes and modifications in the plan of reorganization of Consolidated and its subsidiaries Union and Consumers. Said modifications were proposed pursuant to the provisions of Subdivision (f) of Section 77B of the Bankruptcy Act, as in effect prior to September 22, 1938, and Section 222 of Chapter X of the Bankruptcy Act (The Chandler Act) as in effect subsequent to September 22, 1938.

1. *Proceedings in District Court.*

On May 24, 1935, Consolidated and its wholly owned subsidiaries, Union and Consumers, filed in the District Court of the United States, Southern District of California, Central Division, their respective petitions for relief under Section 77B of the Bankruptcy Act of 1898,

In the United States
Circuit Court of Appeals
For the Ninth Circuit. 24

In the Matter of
CONSOLIDATED ROCK PRODUCTS CO., a Delaware corporation,
UNION ROCK COMPANY, a corporation, *Debtor,*
Subsidiary,
and
CONSUMERS ROCK & GRAVEL COMPANY, INC., a corporation,
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ALFRED E. ROGERS, L. L. ROGERS, LUCY H. ROGERS, HORACE
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M. ROGERS, HOWARD M. ROGERS, ROGERS CORPORATION,
LTD., and CARLTON PROPERTIES, INC. LTD., owners and
holders of shares of common stock of CONSOLIDATED ROCK
PRODUCTS CO., and GEORGE A. ROGERS, INC. LTD., owner
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Appellants,

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CONSOLIDATED ROCK PRODUCTS CO., F. B. BADGLEY, R. E.
FRITH, T. FENTON KNIGHT and WALTER S. TAYLOR, com-
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TIVE COMMITTEE; WM. D. COURTWRIGHT, FRED L.
DREHER, F. J. GAY, ALFRED GINOUX and GUY WITTER,
composing CONSUMERS ROCK AND GRAVEL COMPANY, INC.,
BONDHOLDERS' PROTECTIVE COMMITTEE; EDWARD E.
HATCH and LOUIS VAN GELDER, composing PREFERRED
STOCKHOLDERS' COMMITTEE OF CONSOLIDATED ROCK
PRODUCTS CO. and E. BLOIS DUBOIS,

Appellees.

APPELLEES' BRIEF.

STANLEY M. ARNDT,
1109 Rowan Building, Los Angeles,
*Solicitor for Appellees, Edward E. Hatch and Louis Van
Gelder, Composing the Consolidated Rock Products
Co. Preferred Stockholders' Committee.*

(Continued on Inside Cover.)

FILED

H. W. O'MELVENY,
LOUIS W. MYERS,
HOMER I. MITCHELL,
GRAHAM L. STERLING, JR.,
900 Title Insurance Bldg., Los Angeles,
*Solicitors for Appellees F. B. Badgley, Colonel R. E. Frith,
T. Fenton Knight and Walter S. Taylor, Composing
the Union Rock Company Bondholders' Protective
Committee.*

GIBSON, DUNN & CRUTCHER,
J. C. MACFARLAND,
THOMAS H. JOYCE,
FREDERIC H. STURDY,
1000 Banks-Huntley Bldg., Los Angeles,
*Solicitors for Appellees Wm. D. Courtright, Fred L.
Dreher, F. J. Gay, Alfred Ginoux and Guy Witter,
Composing the Consumers Rock and Gravel Company,
Inc., Bondholders' Protective Committee.*

LATHAM & WATKINS,
PAUL R. WATKINS,
1112 Title Guarantee Bldg., Los Angeles,
Solicitors for Appellee Consolidated Rock Products Co.

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No. 9214.

In the United States
Circuit Court of Appeals
For the Ninth Circuit.

In the Matter of
CONSOLIDATED ROCK PRODUCTS CO., a Delaware corporation,
Debtor,
UNION ROCK COMPANY, a corporation,
Subsidiary,
and
CONSUMERS ROCK & GRAVEL COMPANY, INC., a corporation,
Subsidiary.

ALFRED E. ROGERS, L. L. ROGERS, LUCY H. ROGERS, HORACE
V. GOODRICH, HENRY C. CHASE, JACK B. ROGERS, CARLTON
M. ROGERS, HOWARD M. ROGERS, ROGERS CORPORATION,
LTD., and CARLTON PROPERTIES, INC. LTD., owners and
holders of shares of common stock of CONSOLIDATED ROCK
PRODUCTS CO., and GEORGE A. ROGERS, INC. LTD., owner
and holder of bonds of UNION ROCK COMPANY,
Appellants,

vs.

CONSOLIDATED ROCK PRODUCTS CO., F. B. BADGLEY, R. E.
FRITH, T. FENTON KNIGHT and WALTER S. TAYLOR, com-
posing UNION ROCK COMPANY BONDHOLDERS' PROTEC-
TIVE COMMITTEE; WM. D. COURTWRIGHT, FRED L.
DREHER, F. J. GAY, ALFRED GINOUX and GUY WITTER,
composing CONSUMERS ROCK AND GRAVEL COMPANY, INC.,
BONDHOLDERS' PROTECTIVE COMMITTEE; EDWARD E.
HATCH and LOUIS VAN GELDER, composing PREFERRED
STOCKHOLDERS' COMMITTEE OF CONSOLIDATED ROCK
PRODUCTS CO. and E. BLOIS DUBOIS,
Appellees.

APPELLEES' BRIEF.

INTRODUCTORY.

The motion here involved was made on stipulated facts and upon the "records, files and proceedings" of the reorganization proceedings [Tr. p. 31]. Most of the contents of the "records, files and proceedings" are not contained in the record herein. Appellants in their opening brief referred to the transcript in the Du Bois appeal herein (*Du Bois v. Consolidated Rock Products et al.*, No. 9000) to set forth some of the matters not contained in the transcript herein, but contained in the transcript on appeal No. 9000, and we shall adopt the same practice.

The motion to dismiss, which was granted by the trial court, was made by the preferred stockholders' committee, but the counsel for the debtor and its subsidiaries, counsel for the Consumer's Rock and Gravel bondholders' committee and counsel for the Union Rock Company bondholders' committee (the proponents of the plan of reorganization) joined in the motion at the time of the hearing [Tr. p. 31].

I.

Statement of the Pleadings and Jurisdictional Basis.

A. Proceedings in the District Court.

Appellants' statement is not complete and, in order to present a logical connected statement, we shall set forth in more detail what occurred.

- May 24, 1935 Reorganization proceedings commenced [Tr. p. 8].
- April 25, 1937 Plan of reorganization submitted [Tr. p. 8].
- Aug. 25, 1937 Objections to plan filed by Du Bois [Tr. p. 9].
- Oct. 21, 1937 Supplemental objections filed by Du Bois [Tr. p. 9].
- Nov. 1, 1937 Hearing before court on plan. No objections filed by Rogers *et al.*, appellants herein [Tr. p. 9]. Plan and Du Bois objections referred to special master [Tr. p. 9].
- Nov. 3, 1937 Formal order of reference to special master signed [Tr. p. 9].
- Nov. 8, 9, 10, Hearings before special master [Tr. p. 9], [Du Bois Tr. p. 129].
12, 15, 16,
17, 1937

At these hearings Alfred E. Rogers (one of the appellants herein) appeared for Thomas C. Rogers, Union Rock Co. bondholder [Du Bois Tr. p. 130]. Thomas C.

Rogers personally took the stand as witness on behalf of himself, but neither objected to nor consented to the plan [Du Bois Tr. pp. 291-2].

Feb. 14, 1938 Special master's report filed recommending plan [Tr. p. 9].

Mar. 4, 1938 Exceptions to report filed by Du Bois [Tr. p. 9]. Served upon Alfred E. Rogers as attorney for Thomas C. Rogers [Du Bois Tr. p. 204].

Mar. 5, 1938 Supplemental exceptions filed by Du Bois [Tr. p. 9] served on Alfred E. Rogers as attorney for T. C. Rogers [Du Bois Tr. p. 206]. No exceptions taken by appellants, Rogers *et al.* [Tr. p. 9].

Mar. 7, 1938 Hearing before court on master's report and matter submitted [Tr. p. 9].

July 22, 1938 Motion by Du Bois to reopen hearing filed [Du Bois Tr. p. 207]. Served on Alfred E. Rogers [Du Bois Tr. p. 208]. Ground of motion: "a consideration of the marked improvement in the financial and business condition of debtor companies involved in these proceedings, as shown by earning statements for the period since the previous hearing, is essential to proper disposition of the cause and confirmation or rejection of the proposed plan of reorganization" [Du Bois Tr. p. 207].

Aug. 5, 1938 Motion filed to dismiss motion to reopen [Du Bois Tr. p. 212].

- Aug. 5, 1938 Hearing on motions. Motion to reopen denied [Du Bois Tr. p. 217].
- Aug. 5, 1938 Current financial statements admitted into evidence on hearing on plan [Du Bois Tr. p. 218].
- Aug. 8, 1939 Memorandum of conclusions by the court filed, approving plan of reorganization and requesting proponents to prepare and serve findings and decree [Du Bois Tr. pp. 219-30].

THIS MEMORANDUM STATES: "IT FURTHER APPEARING THAT WITH THE EXCEPTION OF SAID TWO OBJECTING BONDHOLDERS (WILLIAMS AND DU BOIS) ALL INTERESTED PARTIES WHO HAVE MADE THEIR VIEWS KNOWN TO THE COURT ARE CONVINCED THAT THE PROPOSED PLAN OF REORGANIZATION IS FAIR, EQUITABLE AND FEASIBLE AS TO ALL PARTIES AFFECTED THEREBY [Du Bois Tr. p. 229].

- Aug. 26, 1939 Appellants herein, Rogers *et al.*, file their "proposal for changes and modifications" [Tr. p. 11]. No claim is made that this was ever served on counsel for preferred stockholders committee or on any other party, or that it was set for hearing or that any order to show cause or summons or subpoena *ad respondendum* was issued or order made requiring any pleadings be filed by any of the parties herein. Appellants, Rogers *et al.*, did not seek or secure right to intervene.

- Sept. 7, 1938 Proposal for changes withdrawn without prejudice at request of proponents of the plan (not at request of counsel for preferred stockholders) [Tr. p. 12].
- Sept. 8, 1938 Formal order approving plan of reorganization signed in accordance with court's previous memorandum [Tr. p. 13].
- Sept. 17, 1938 New proposal for modification filed by appellants Rogers *et al.* It contained three proposed modifications, two of which were contained in the previous Rogers proposal of August 25, 1938, and one of which was new [Tr. p. 13]. No reason or explanation was given for not having filed the proposals earlier than August 26th, 1938. No claim was made that any of the facts set forth in the petition arose subsequent to the hearing before the special master or that T. C. Rogers did not have full information as to such matters when he testified before the special master. No claim was made that there was any newly discovered evidence. No claim was made of surprise, error or mistake. No claim was made of lack of notice or defective notice in connection with any previous hearings. No explanation was made for not filing objections to the plan within the time allowed by law. No explanation was made for not filing exceptions to the special master's report within the time allowed by law. No objection was made as to any action or

finding of the special master or the court. The only reason set forth in the proposal is a “marked improvement in the financial and business condition of the debtor corporation since the proposal of the plan of reorganization” [Tr. p. 15], *but no claim is made that such improvement occurred after the first hearing before the court on the plan (when it was referred to special master) or after the hearing by special master, and no claim is made that evidence of such marked improvement was not before the special master and the court prior to their decisions.*

- Oct. 4, 1938 Du Bois appeal from the order confirming the plan of reorganization allowed by the District Court [Tr. p. 20].
- Oct. 20, 1938 Du Bois appeal allowed by Circuit Court of Appeals [Tr. p. 20].
- May 22, 1939 Proposal of appellants for modification of plan and motion of preferred stockholders to dismiss said proposal on calendar [Tr. p. 22]. No order to show cause or subpoena *ad respondendum* or summons or other process issued or order made requiring any pleading to the Rogers proposal except an order requiring the filing of points and authorities which each party filed. The reason for the setting of the hearing for May 22, 1939, appears in the transcript in the following statement by counsel for appellants [Tr. p. 23]:

“The appeal filed by Mr. Grant came on so soon after we had filed this petition that we took no steps to bring the matter on for hearing. We felt that because that appeal concerned points which we had raised in our modifications, it would not be proper to bring the matter on before the court during the pendency of the appeal and cause the court to pass upon certain matters which the Circuit Court of Appeals had before it, because, just as Mr. Arndt has pointed out, it is a source of confusion if two courts are passing upon the same matters at the same time.”

May 22, 1939, “Motion of Preferred Stockholders to Dismiss” made. It was first stipulated that the Du Bois appeal had been perfected before the Circuit Court of Appeals and the briefs therein filed. Motion to dismiss was made on this stipulation and the records, files and proceedings [Tr. p. 31]. The motion to dismiss was made by the preferred stockholders’ committee, but counsel for the debtor and its subsidiaries and the two bondholders’ committees joined in the motion at the time of the hearing [Tr. p. 31]. The following occurred:

“The Court: Getting closer, then, to the problem that immediately concerns us, aren’t you satisfied that, at least pending the determination of this appeal that has been taken, the court lacks authority to entertain your motion?”

Counsel (for appellants): We are so satisfied, Your Honor. We believe it should be placed off calendar.”

Counsel for appellants further stated:

“One of the points which is involved in our petition and one of the points which is being argued at great length in the brief is the question of division of income between the two groups of bondholders. That is one point on which we intend to offer a great deal of evidence; and that is the very point that the Circuit Court of Appeals is going to decide. If they decide that point one way or the other, and particularly if they decide it in our favor, we are certainly not going to bring any modification on. We believe that, as to that extent, we would be bound by the Circuit Court of Appeals, and certainly we are willing to be bound by its decision on that point.”

After the matter had been submitted the District Court granted the motion of the preferred stockholders (in which the debtor corporations and the two bondholders' committees had joined).

In the formal order of dismissal the court made the following conclusions of law:

“1. That this Court has no jurisdiction to consider said proposal for modification or any other proposal for modification of said plan of reorganization in that the order confirming the plan of reorganization which it is proposed to change and modify is now on appeal, which appeal has been perfected, and is ready for hearing and determination by the Circuit Court of Appeals for the 9th Circuit.

2. That the said 'Proposal for Changes and Modifications in Plan of Reorganization' filed by Alfred E. Rogers, *et al.*, should be dismissed for want of jurisdiction.

3. If the final order of the Circuit Court of Appeals is an order affirming said order appealed from, no jurisdiction will rest in this Court to consider any proposal for changes or modification in said plan of reorganization. If the final order of the Circuit Court of Appeals does not affirm said order, then this Court must proceed in accordance with the mandate of the Circuit Court when it becomes final." [Tr. p. 32.]

B. Jurisdictional Basis.

Appellants completely omit any statement showing that they are parties to the reorganization proceedings or that they have any appealable interest. Their two proposals were filed prior to the effective date of the Chandler Act (September 22, 1938); the debtor's petition was filed more than three months prior to said effective date, and no order was made by the district judge making the Chandler Act applicable to this reorganization. Appellants did not and do not claim to have filed a petition in intervention as required by 77B (c) 11 ("Any creditor or stockholder shall have the right to be heard on the question of the permanent appointment of any trustee or trustees, and on the proposed confirmation of any reorganization plan, *and upon filing a petition for leave to intervene, on such other questions arising in the proceeding as the judge shall determine*"), and, as we will show (*infra*, p. 17), are not parties to the reorganization proceedings, and cannot be heard in this appeal.

II.

Statement of the Case.

To appellants' statement of the case, we add some pertinent matter:

1. Appellants at no time sought or secured permission to intervene in the lower court and at no time did they ever intervene below.

2. Appellants, *without filing a petition for leave to intervene*, filed their proposed modifications. It is true that two of three proposed modifications requested by appellant were the same as those filed prior to the making of the *formal* order approving the plan of reorganization, but they were filed *after* the filing of the court's memorandum approving the plan and *after* the denial of the Du Bois motion to reopen and without intervention having been asked or secured.

3. Appellants, at no time, ever appeared at the hearing on the confirmation of the plan and at no time filed any objections to the plan of reorganization [Tr. p. 9] nor took any exceptions to the special master's report. (*Idem.*)

4. Appellant's proposal refers to "a marked improvement in the financial and business condition of the debtor corporation *since the proposal of the plan*" of reorganization, but does not claim that the fact of the alleged "marked improvement" was not before the special master or the district court prior to their respective decisions.

5. Each of the modifications proposed by appellants could have been presented to the court in any one or more of the following ways:

- a. By filing objections or proposed modifications to the plan within the time allowed by law.
- b. Before the special master, either by the introduction of evidence, or filing or making a statement or objection. (Alfred E. Rogers, one of the present appellants, appeared at the hearing before the special master as attorney for T. C. Rogers, a bondholder but not one of the appellants. Whether T. C. Rogers is the assignee of appellants does not appear in the record. At any event neither Alfred E. Rogers nor T. C. Rogers nor appellants objected to the plan nor proposed any modifications.)
- c. By filing objections or exceptions to the special master's report, within the time allowed by law.
- d. By moving to reopen the proceedings prior to the court's decision on the plan of reorganization or by joining in the motion of Du Bois to reopen.

6. The plan was filed April 28, 1937, was referred to the special master November 3, 1937, was heard by the special master November 8th to 17th, 1937, was before the court March 7, 1938 (hearing on confirmation of special master's report) and again on August 5th, 1938 (motion of Du Bois to reopen); Alfred E. Rogers, one of the appellants, appeared as attorney for T. C. Rogers, a bondholder, before the special master and put T. C. Rogers on the stand, but neither approved nor disapproved the plan. During all this period appellants were silent and waited until the court had decided the matter by filing its memorandum opinion, before saying or doing anything. NO EXPLANATION IS OFFERED FOR THIS LONG DELAY.

III.

The Questions Involved.

Appellants' statement of the questions involved is not complete. There is the preliminary, but very important, question as to whether appellants are parties to these proceedings and whether they have an appealable interest.

The first question is this:

“Can a creditor or stockholder who has never filed a petition for or secured leave to intervene in the district court, and who never appeared at the hearings on the confirmation of the plan of reorganization, appeal from an order dismissing a proposal to modify the plan?”

Assuming the appellant has passed this preliminary hurdle, there are two questions on the merits:

1. After an appeal has been perfected from an order of the district court approving a plan of reorganization and while such appeal is still pending, has such district court jurisdiction to hear a proposal seeking changes and modifications in the approved plan of reorganization where (a) the changes and modifications are not merely corrections of errors and omissions, but involve substantial changes in the rights of interested parties; and where (b) the appeal involves some of the very modifications sought by the proposal and could have involved the rest had appellants therein elected to include them; and where (c) no claim is made by proponents of the proposed modifications of fraud, mistake, surprise, excusable neglect, lack of notice or newly discovered evidence not available at the date of the decree; and where (d) no consent of the appellate court has been sought or secured to the hear-

ing of the motion by the district court, and where (e) ample opportunity was available to present the modifications prior to the decision approving the plan?

2. Assuming that the district court has no jurisdiction to pass upon such proposal after the appeal has been perfected and while it is still pending, must the district court follow the mandate of the circuit court when it comes down or can the district court overrule and disregard the mandate of the circuit court and come to a contrary decision and conclusion.

IV.

Summary of Argument.

A. In Support of the Decree.

1. The appeal should be dismissed because appellants, not having intervened below, as required by 77B (c) 11, are not parties to the reorganization proceedings and have no right to appeal. (Brief p. 17.)

2. The District Court properly held (a) that it had no jurisdiction, pending the appeal from the order confirming the plan, to pass on proposed modifications to the plan and (b) that, after the final decision on appeal, its sole jurisdiction was to obey the mandate of the Circuit Court of Appeals. (Brief p. 23.)

B. In Answer to Appellant.

1. Appellants argue that 77-B and the Chandler Act confers on the District Court the power to modify the plan after confirmation. Answer: that is true, but the power is subject to implied restrictions, such as:

(a) The power cannot be exercised while an appeal is pending from the order of confirmation;

(b) After the Appellate Court has decided the appeal, the power of the District Court is limited to complying with the mandate of the Circuit.

(c) The power is limited to supplying of omissions or correction of errors. (Brief p. 26.)

2. Appellants argue that they are not estopped. Answer: they are guilty of negligence and laches in not presenting the objections and modifications sooner. (Brief p. 29.)

3. Appellants claim that the du Bois appeal was premature. Answer: their position is unsound. (Brief p. 31.)

4. Appellants admit the general rule that the District Court loses jurisdiction while an appeal is pending, but contends that there are four exceptions:

(a) Appellants first claimed exception is that the trial court must refrain only from acts prejudicial to appellant. Answer: there is no such exception. (Brief p. 36.)

(b) Appellants second claimed exception is that the rule prevails only in the absence of statute and that §77-B (f) and §222 of Chapter X amend the general rule. Answer: neither 77-B (f) nor §222 affect rules of Appellate practice, nor did Congress intend them to. (Brief. p. 37.)

(c) Appellants third claimed exception is that an appeal from an interlocutory order suspends jurisdiction only so far as affects the point appealed from. Answer: appellant misstates the rule. An appeal from an interlocutory patent order transfers to the appellants court jurisdiction over such matters as were involved in the appeal. (Brief p. 38.)

(d) Appellants fourth claimed exception is that an appeal suspends and does not destroy the trial court's jurisdiction. Answer: the true rule is that the District Court has no jurisdiction pending the appeal; and after the appeal has been finally determined it has only such power as the mandate gives it. (Brief p. 39.)

5. Appellants argue that a decree confirming a plan is interlocutory, that the District Court has jurisdiction to modify or rehear an interlocutory decree after affirmance of such decree, and therefore, the District Court here may modify the decree of confirmation after determination of the du Bois appeal. Answer: (a) The decree confirming the plan is not interlocutory. (Brief p. 40); (b) Even if it were, the power of the court to modify after affirmance of the decree is subject to two conditions precedent; first, consent of the Circuit Court must be secured (Brief p. 43), and second, the party seeking the modification or rehearing must have acted promptly and be free from negligence or laches. (Brief p. 43.) Appellants have not complied with either of these two conditions precedent. (Brief p. 46.)

6. Appellants claim that dire calamities *might* occur between the date of the order of the District Court confirming the plan and the date of the consummation of the plan and argue that, therefore, the District Court must have the right to modify or change the plan regardless of the mandate of the Appellate Court. Answer: such calamities have not occurred here, but if they do, the remedy is to file a petition with the Circuit for leave to file a bill of review or petition for rehearing in the District Court. (Brief p. 47.)

7. The proposed modifications are not acceptable and would merely cause delay.

V.

Argument in Support of Trial Court's Decision.

- A. Appellants, Not Having Intervened Below, Are Not Parties to These Proceedings, and Have No Right to Appeal. The Appeal Must Be Dismissed as to Them.

Appellants at no time intervened below. After the court's decision approving the plan, they filed with the clerk of the court a document entitled "Proposal for Changes and Modifications in Plan of Reorganization." The authorities are uniform that:

- a. A creditor or stockholder who has not obtained permission to intervene in reorganization proceedings may be heard in the district court only on the appointment of a trustee and upon confirmation of a plan but not upon any other question.
- b. Mere filing of objections, exceptions or other pleadings is insufficient to constitute intervention in reorganization proceedings, and such an objector is not a proper party to an appeal and his appeal must be dismissed.

In re Trust No. 2998 of Foreman Trust and Savings Bank (C. C. A. 7th), 85 Fed. (2d) 942 (Cert. denied sub. nom. *Tetzke v. Trust Co. No. 2988*, 299 U. S. 609, 57 S. Ct. 235, 81 L. Ed. 450);

In re Rosenbaum Grain Corporation (C. C. A. 7th), 83 Fed. (2d) 391;

In re Milwaukee & Sawyer Building Corporation (C. C. A. 7th), 79 Fed. (2d) 478.

In the *Trust No. 2998* case, the court stated:

“Subdivision (c) of section 77B of the Bankruptcy Act (11 U. S. C. A. §207 (c)) provides that any creditor or stockholder shall have the right to be heard on the question of appointment of a permanent trustee and upon the proposed confirmation of any reorganization plan, and further, upon filing petition for leave to intervene, on such other questions arising in the proceedings as the judge may determine. Thus, a single creditor who has not obtained permission to intervene may be heard in the District Court on the appointment of a trustee and upon confirmation of a plan but not upon other questions. The mere filing of objections or exceptions is insufficient to constitute intervention and such an objector is not a proper party to appeal. *South Carolina v. Wesley*, 155 U. S. 542, 15 S. Ct. 230, 39 L. Ed. 254.

“(3-6) We agree with Judge Evans (*In re 211 East Delaware Place Bldg. Corporation* (D. C.), 15 F. Supp. 947), that no one but a party to a suit may rightfully appeal; further, that an individual creditor is not a party to a reorganization proceeding, except in the limited manner above mentioned, and may be heard on other matters only when permitted to intervene; that, inasmuch as a final decree is not an order upon which a creditor may be heard, except after authorized intervention, such creditor, in the absence of such intervention, has no right to appeal from such decree. Accordingly, under the Bankruptcy Act, the appellant is not a party and is without right to appeal, and the motion to dismiss must be allowed.”

In the *Rosenbaum Grain* case, the court stated, at page 394:

“(5) (4) The right of a stockholder to be heard is defined and limited by section 77B (c) (11), 11 U. S. C. A. §207 (c) (11), to the questions of the permanent appointment of trustees, or the proposed confirmation of a plan of reorganization ‘and upon filing a petition for leave to intervene, on such other questions arising in the proceeding as the judge shall determine.’ Appellants filed their appearances but did not intervene. Under the rule announced in *In re Milwaukee & Sawyer Building Corporation*, 79 F. (2d) 478 (C. C. A. 7), the stockholders were not parties who could properly appeal without showing that they had been permitted to intervene.”

In the *Milwaukee & Sawyer Bldg. Corporation* case, the court dismissed the appeal, stating “Petitioner filed no intervening petition in the proceedings below, hence was a party to them only for the specific purposes enumerated in the statute. It follows that she was not entitled to pray an appeal to this court nor to the other relief sought in her petition.”

The fact that this court allowed appellants herein an appeal is immaterial, because the circuit court of appeals had allowed the appeal in both the *Milwaukee & Sawyer Bldg. Corporation* case and the *Trust Co. No. 2988* case. Likewise, it is immaterial that appearances were made or filed below by the appellants. This was done in the *Rosenbaum Grain Corporation* case and was held insufficient.

Appellants not having been parties to the reorganization proceedings, the district court had no jurisdiction to grant

them any relief, and they cannot complain because the district court dismissed their petition for lack of jurisdiction.

In *In Re 211 East Delaware Place Bldg. Corp.*, 15 Fed. Supp. 947 (the case cited with approval in *In Re Trust No. 2988* (85 Fed. 2d, 942), Judge Evan A. Evans, Circuit Judge of the Seventh Circuit, sitting as acting District Judge, in discussing the portion of 77B(c), which limits the rights of creditors or stockholders to be heard, stated:

“The reasons for Congressional action” (in limiting a creditor’s right to be heard) “however, are so pertinent and persuasive as to lend strong support to the conclusions which I have reached.

“The purpose of the enactment, commonly known as 77B, was to avoid delays in the reorganization of financially embarrassed corporations, and to prevent a single creditor from obstructing the prompt and effective administration of estates of debtors who seek the relief which this remedial statute (77B) offered to both debtors and creditors. If a single creditor may obstruct the efforts of over 90% of the creditors of each class, 77B would be no improvement over the old foreclosure proceedings where small minority creditors would and did create nuisance values by refusing to join in a reorganization. If this same group may accomplish the same thing (delay and obstruction) by appeal, then they, too, may create nuisance values which the statute was intended to prevent. . . .

“Congress was not unacquainted with the maneuvers and manipulations of those who are skilled in the art of creating and developing nuisance values. It rightly looked upon them as leeches worse than usurers. At least they are lustier and more persistent in asserting imaginary rights and noticeably less modest

when stating the price at which they will forego their right to appeal or waive their right to insist upon the full period of redemption. Courts of equity have always had to deal with them. But with the enactment of 77B they have swarmed the courts like locusts. No extravagance of language is indulged when I say they are as welcome in our midst as the measles, and, if, either Congress or the courts are ever able to drive them hence, their departure will be un mourned.

“Congress sought to avoid successful efforts to thus create nuisance values by not recognizing creditors as parties. On only two matters may creditors be heard as a matter of right. When the purpose of their appearance is unworthy or improper the court may refuse them the status of a party in other matters. On the other hand, when properly actuated the court may allow them to intervene and give them the standing of parties, which carries with it the right to appeal.

“The present case illustrates the wisdom of the reasons back of the above quoted legislation.” (Petitioners are judgment creditors junior to the mortgagees.) “If they may be permitted to appeal, they may thwart the execution of the well-worked-out plans of the bondholders . . . In the writer’s opinion it was the purpose of Congress to prevent such frustration of plans, and to accomplish this result, creditors as such were not given the right to appeal from all orders. They may, within the time fixed, appeal from the order approving the plan of re-organization. They cannot appeal from the final decree.”

The petition for vacating of the final decree or for order allowing an appeal from the final decree was denied.

Appellants may contend that since they have “the right to be heard on the proposed confirmation of any reorganization plan” without filing a petition for leave to intervene, they can appear on a motion to modify a plan of confirmation, without having appeared on the hearing in the proposed confirmation and without having filed any exceptions or objections to the plan or the special master’s report. Such contention is unsound as the hearing on the proposed confirmation is entirely different from a hearing on a motion to modify an approved plan.

In *Meyer v. Kenmore Granville Hotel Co.*, 297 U. S. 160, 80 L. Ed. 557, (a case strongly relied upon by appellants), the Supreme Court pointed out that an order adjudging or refusing to adjudge the defendant bankrupt, is appealable as of right under 25(a) 1898 Bankruptcy Act, but that an order refusing to set aside such an order is not appealable as of right, as it is a different order. (For numerous cases so holding see 8 Remington on Bankruptcy, 4th Ed., § 3715.60, note 96.) The Supreme Court then held that while an order approving or dismissing the petition for reorganization was appealable as of right, an order denying a motion to dismiss the reorganization proceedings was a different order and was not appealable as of right. Likewise it has been held that a refusal to revoke or vacate or discharge was not appealable as of right under 25(a) although an order granting or refusing a discharge was. (*In re Roe*, C. C. A. 2d, 87 Fed. 2d 693; *In re Jacobs*, 241 Fed. 620.)

In *In re Trust No. 2988* (C. C. A. 7th, 85 Fed. 2d, 942, cert. denied, 299 U. S. 609, 57 Sup. Ct. 235; 81 L. Ed. 450) a bondholder filed exceptions to the master’s report on the plan of reorganization. He did not appeal

from the order approving the reorganization, but from the “final” order of 77B(h) and there sought to review the fairness of the plan of reorganization. The court held he could not, by indirection, achieve a review of something he was not entitled to review. The same applies here—appellants, having taken no exceptions or objections to the plan or the master’s report, and not being present at the hearings before the court, cannot appeal from the order of confirmation (*Meyer v. Kenmore Granville Hotel Co.*, 297 U. S. 160, 80 L. Ed. 557), so they cannot do it by indirection.

In view of these matters, it is submitted that the appeal of the appellants shall be dismissed for lack of an appealable interest.

B. The District Court Properly Held That It Had No Jurisdiction Pending the Appeal and That After the Final Decision on Appeal Its Sole Jurisdiction Was to Obey the Mandate of the Circuit Court of Appeals.

The district court in so holding followed the rule of this circuit laid down in *Rothschild v. Marshall* (C.C.A.), 51 Fed. (2d) 897, and *First National Bank v. State National Bank*, 131 Fed. 430. This court in the *Rothschild* case stated (p. 899):

“While the case was on appeal in this court, the district court was without jurisdiction of the cause, and, therefore, could not enter any order therein. After a decision by this court, the only step that the district court could take was to obey the mandate of this tribunal.”

and at page 900:

“When an appeal is allowed all jurisdiction of the suit appealed from is transferred to this court. God-

dard v. Ardway, 101 U. S. 745, 752, 25 L. Ed. 1040. So long as the order of allowance of appeal continued in operation and the case was continued on appeal of this court it bound the parties. When the appeal is perfected and the cause has passed to the jurisdiction of the appellate tribunal, the District Court is without jurisdiction . . . So also after the appeal is decided, the District Court is bound by that decision.”

In *First Nat. Bank v. State Nat. Bank*, 131 Fed. 430, 431, 432, this court stated:

“But independent of these matters, the question of practice, as adopted in this case and raised by the motion to dismiss, is one that ought to be disposed of. The overwhelming weight of authority of the state courts is that an appeal, properly perfected, absolutely removes the case from the trial court, and places it in the appellate tribunal. The case must, of necessity, either be in the appellate or lower court. It cannot very well be in both courts at the same time. Such a course would lead to endless confusion. Under all the ordinary rules of practice, the appellate court alone would have the jurisdiction. After the cause leaves the lower court, it is deprived of taking any action upon *any question involved in the appeal*. Many of the authorities in the state courts upon this point are collected and cited in Elliott’s App. Pro., par. 541. The federal authorities are substantially to the same effect.

These rules have been repeatedly set forth.

Bernard v. Lea, 210 Fed. 583;

Bankers Indemnity Co. v. Pinkerton (C.C.A. 9th),
89 Fed. (2d) 194, 199;

Bronson v. L. & M. R. R. Co., 1 Wall. 405, 17 L.
Ed. 616;

Morgan L. and T. R. Co. v. Texas Central Ry., 32 Fed. 525;

Berman v. United States, 302 U. S. 211, 214, 82 L. Ed. 204, 205;

2 *Am. Jur.*, Secs. 528-29, pp. 192-3.

In 8 Hughes, *Federal Practice*, Sec. 5439, p. 31, it is stated:

“But when the appeal has been perfected all jurisdiction over the case is transferred from the trial court to the appellate court except that the former may do such things as are appropriate to perfect the record to go to the appellate court or to protect the *res* pending the review.”

Idem, Sec. 5653, pp. 117-18:

“The appellate court’s mandate, unless modified or restrained by subsequent events must be enforced promptly in the court below. . . . The lower court has no power except to enter the decree in conformity with the mandate.”

In Marker: *Federal Appellate Jurisdiction and Procedure*, p. 307, it is stated:

“When the mandate reaches the lower court, it must be executed. The lower court has no further power over it, except to take the necessary steps to give the mandate effect.”

In *Kansas City Southern Railway Co. v. Guardian Trust Co.*, 281 U. S. 1, 11; 74 L. Ed. 659, 668, the Supreme Court stated:

“The mandate required the execution of the decree. The district court could not vary it, or give any further relief.”

VI.

Argument in Answer to Appellants' Argument.

- A. Answer to Appellants' First Point: "The Power to Make Modifications After the Confirmation of a Plan of Reorganization Is Expressly Conferred Upon District Courts of the United States by Statute."

Appellants cite 77-B (h) and sections 222 and 223 of the Chandler Act as authority for the statement that the power to make modifications after the confirmation of the plan of reorganization is expressly conferred by statute. While such power is expressly conferred, nevertheless it is not unlimited and unrestricted. There are no express restrictions contained in the two sections upon the power to modify after the confirmation of the plan, but there are various implied restrictions.

Appellants admit the existence of implied restrictions. For example, appellants freely stated before the district court [Tr. p. 25] and grudgingly admit here the power of the district court to modify is subject to the implied restriction that such power cannot be exercised while an appeal is pending. The appellants concede (App. Brief p. 23) that after the "final" decree referred to in 77-B (h) and section 228 of the Chandler Act has been entered, the power of the district court to modify ceases.

Nothing is said in sections 222, 223 or 77-B (f) regarding notice, but there is, of course, an implied restriction on the power of the court to act, that due notice of the application to modify must be given.

There are other implied restrictions. The district court as we have shown (*supra*, p. 23) is deprived of the power to modify during the pendency of the appeal from the order approving the reorganization. After the appeal has

been decided and the mandate of the Circuit Court of Appeals filed, the district court has only such power to modify as the mandate gives it. (See discussion, *supra*, p. 23.)

Furthermore, the power to modify after confirmation is subject to some limitations. This is shown by the records of Congress.

We quote from Senate Reports on Public Bill, Vol. 1, 73rd Congress (March 15, 1934), setting forth a copy of the House Judiciary Committee Report. (H. R. No. 194, 73rd Cong., 1st Session.)

“Amendments or modifications can be made in a plan, provided that all of the requirements above listed of subdivision (f) relating to confirmation are complied with as respects the modified or amended plan. It is advisable that the bill permit modifications and changes in the plan after it has been confirmed. Experience suggests the advisability of such provision, as amendments are sometimes requisite, not only to obtain the required number of consents, but also, after the required number of consents have been obtained to provide for matters not foreseen, to correct errors, mistakes, omissions, etc.”

The purpose of the bill is manifest from this report. Before a plan is confirmed by the court, amendments may be necessary in order to obtain the required number of consents; after a plan has been confirmed, it may be necessary to provide for matters not foreseen, or to correct errors, mistakes, omissions, etc. There is not the slightest intimation that the purpose was to change long established rules of appellate practice, or to adopt the revolutionary doctrine that the district court could reverse the appellate court, or to permit substantial modifications, such as those proposed by appellants, in a plan already confirmed.

The correction of errors, mistakes or omissions has always been recognized as an exception to the general rule that the perfecting of an appeal transfers jurisdiction of all matters in the appeal to the appellate court (*Hovey v. McDonald*, 109 U. S. 150, 27 L. Ed. 888—discussed at length herein, p. 34; 3 *Am. Jur.*, Sec. 530, p. 193), and the statute merely recognized this rule.

Appellants state in their brief:

“Citation of the authority is unnecessary; indeed, appellants know of no case in which the power and jurisdiction of the court to make modifications after a confirmation has even been questioned.”

Appellants, however, do not cite a single case in which the power to modify the decree after confirmation has been exercised.

Faced with numerous cases setting forth the general rule (that the lower court loses jurisdiction as to matters involved in the appeal after an appeal has been perfected and only has such power, after the decision of the appellate court, as is set forth in the appellate court's mandate) appellants do not cite a single case or even a *dictum* to the contrary.

The issue is not whether the appellate court has the power under *some* circumstances to make modifications in the plan of reorganization after the plan has been confirmed. The issues are, first, whether such modifications can be made after an appeal from the order of confirmation has been perfected and is pending before the Circuit

Court of Appeals; and, second, can the district court disregard and ignore the mandate of the Circuit Court after the mandate comes down, and find that the plan is not fair or not equitable after the Circuit Court of Appeals has found it fair and equitable?

Appellants support the affirmative of this second issue, but cite no cases in support of their position.

B. Answer to Appellants' Second Point That: "Prior to the Confirmation of the Plan of Reorganization the District Court Had Made and Entered an Order Permitting Appellants to Withdraw the Proposed Changes and Modifications Then on File Without Prejudice to the Renewal Thereof After Confirmation of the Plan."

While proposals for *two* changes or modifications were filed before the signing of the formal order approving the plan of reorganization, they were filed *after* the court had given its decision approving the plan.

While all of the appellees stipulated to the withdrawal of the original proposal for modification without prejudice to a renewal, they did not and could not stipulate that the same could be heard after the court had lost jurisdiction to hear the proposal.

Furthermore, the proposal for modification involving this appeal contained three proposed modifications, one of which is not contained in the original proposal. As to that point, there is no stipulation.

But regardless of whether or not appellants have been estopped, nevertheless they have been guilty of negligence and of laches, each of which constitutes a bar to the hearing of their proposals for modification.

“A court is without power to grant relief if it appears that the party alleged to have been aggrieved, could have, with proper diligence, presented the mistake complained of. Laches as well as positive fault is a bar to such relief.”

Rothchild v. Marshall (C. C. A. 9th), 51 Fed. (2d) 897.

“If an interlocutory decree be involved, a rehearing may be sought at any time before final decree, provided due diligence be employed, and a revision be otherwise consonant with equity.”

John Simmons Co. v. Grier, 258 U. S. 82, 90, 91, 42 S. Ct. 196, 66 L. Ed. 475, 479.

Each of the proposals made by the appellants could have been made:

(a) By filing them as objections or proposed modifications to the plan prior to the hearing before the special master.

(b) By presenting them or urging them before the special master.

(c) By presenting them in the testimony of T. C. Rogers when he testified before the special master.

(d) By filing exceptions to the special master's report.

(e) By motion to reopen prior to the court's memorandum of decision.

(f) By seeking a rehearing of the court's decision.

No explanation is given for not adopting one of the above methods and appellants are guilty of negligence and laches for sitting by and taking no steps to acquaint the court with their position prior to the time he gave his

decision. Twenty-eight months elapsed from the filing of the plan of reorganization up to the date of the court's memorandum decision; ample time for appellants to act.

Why did appellants do nothing during that period? In the absence of an explanation, they are guilty of negligence, laches and lack of due diligence. (*In re Studebaker Corporation* (C. C. A. 7th), 79 Fed. (2d) 740.)

C. Answer to Appellants' Third Point "The Appeal of Du Bois Was Not Perfected Until After Appellants' Proposal for Modification Had Been Filed in the District Court for the Second Time."

It is true that appellants filed a second proposal for modifications prior to the Du Bois appeal, but it is also true that they made no attempt to put it on the calendar or to have an order to show cause or a subpoena *ad respondendum* or a summons or other process issued or to have an order made setting it for hearing or requiring any of the other parties to plead to it. Likewise they failed to seek or secure leave to intervene.

Appellants merely filed their proposal for modification and did nothing more and now suggest that by filing their proposal they made the appeal of Du Bois premature! They cite no authority for such a strange contention. If it be sound, there would seldom be a completed reorganization. Stockholder No. 1 would object to the plan of reorganization. After the master and the court had passed upon the objections and approved the plan, stockholder No. 2 would file proposals for modifications. After this had been heard and order made denying them, stockholder No. 3 would do the same. On this would go until all objecting parties had been used up in consecutive objections, then

stockholder No. 1 would appeal. After his appeal had been heard and decided, then stockholder No. 2 would appeal and so on! Delays would run into years and years.

The sole explanation given by appellants for not making any endeavors to have their proposal heard too is set forth in the transcript in a statement by their counsel [Tr. p. 23]:

“The appeal filed by Mr. Grant came on so soon after we had filed this petition that we took no steps to bring the matter on for hearing. We felt that because that appeal concerned points which we had raised in our modifications, it would not be proper to bring the matter on before the court during the pendency of the appeal and cause the court to pass upon certain matters which the Circuit Court of Appeals had before it, because, just as Mr. Arndt has pointed out, it is a source of confusion if two courts are passing upon the same matters at the same time. Frankly, we had not considered the question of jurisdiction at that time. We had felt that it was more of a matter of, perhaps you might say, good manners, that the petition would not be brought on, because, to hear the matter and have an extended hearing would result in the court, perhaps, doing an idle act in that the Circuit Court of Appeals might take a different position than was taken by the master and the trial court, and might reverse the decree, might even propose modifications on its own behalf that might add things which would negative and render nugatory everything which we have done here.”

That statement is an excellent argument in support of the action of the district court!

D. Answer to Appellants' Fourth Point, "The Effect of the Appeal of E. Blois Du Bois Could at Most Only Suspend the District Court's Jurisdiction During the Pendency of That Appeal So That Subsequent to the Determination Thereof the District Court Will Have Full Jurisdiction to Hear and Consider Appellants' Proposals for Changes and Modifications, on Their Merits."

Appellants' fourth point is divided into two parts; first, that the appeal of Du Bois suspended the jurisdiction during the pendency of the appeal, and second, that subsequent to the determination of the appeal the district court had full jurisdiction to hear and consider proposals for modifications.

Appellants, however, do not cite a single case to support this second part of their fourth point.

The true rule is set forth in *Rothchild v. Marshall*, 51 Fed. (2d) 897, and *First National Bank v. State National Bank*, 131 Fed. 430, decisions of this court which we have previously discussed (*supra*, pp. 23-24).

"While the cause was on appeal in this court, the District Court was without jurisdiction of the cause and therefore could not enter any order therein. After a decision by this court, the only steps the District Court could take was to obey the mandate of this tribunal."

Rothchild v. Marshall, 51 Fed. (2d) 897.

None of the cases cited by counsel set forth any contrary or modifying rule.

Ensminger v. Powers, 108 U. S. 292, 2 S. Ct. 643, 27 L. Ed. 732 (cited by appellants), discusses the time in which a bill of review can be filed. It holds that the period, during which an appeal was pending, is not to be

counted in determining whether the statutory period is run because, as the Supreme Court stated, "that while an appeal was pending here, although there was no supersedeas, the Circuit Court had no jurisdiction to vacate the decree pursuant to the prayer of the bill of review because such relief was beyond its control."

Hovey v. McDonald, 109 U. S. 150, 3 S. Ct. 136, 142, 27 L. Ed. 888, cited by appellant, supports our position. In that case Hovey had secured a temporary restraining order restraining the receiver from paying out certain funds in his possession. The court later dismissed his petition and dissolved a temporary restraining order. After an appeal was perfected, the same court added a provision to the decree ordering the receiver to return the impounded funds to the defendant.

Hovey filed a supersedeas bond, but the receiver paid the money over to the defendants. Subsequently the order of dismissal was reversed and Hovey was held entitled to the money. But the money was gone! Hovey sought to hold the receiver responsible but the Supreme Court held the receiver was justified in paying the money over, stating:

"One general rule in all cases (subject, however, to some qualifications) is that an appeal suspends the power of the court below to proceed further in the course. This includes a suspension of the power to execute the judgment or decree. But, of course, besides merely taking an appeal, those additional things must be done which the law requires to be done in order to give to the appeal a suspensive effect, whether it be security for the payment of the claim or other condition imposed by law.

"One of the qualifications of the general rule as to the suspensive effect of an appeal is, that the inferior

court may perfect its judgment, or decree, usually at any time during the term at which it is rendered. If, when an appeal is taken or a writ of error is sued out, the record has not been made up, it may be made up in due form. If any obvious mistake has occurred, it may be corrected; . . . In chancery proceedings it is a rule that when a clerical error has crept into the decree, or some ordinary direction has been omitted, the court will entertain an application to rectify it, even though it has been passed and entered. Where a decree has omitted a direction that is of course at the time it is made, it may be corrected by the insertion of that direction; . . .

“In the present case, the correction of the form of the decree by adding the direction to the receiver to pay over the money in his hands to the defendants was a thing of course; it was merely expressing the legal effect and consequence of the decree. It was an amendment which the court below, the special term, was competent to make notwithstanding the appeal. . . . The appointment of Mr. Riggs as receiver was for the purpose of holding the money as agent of the court, and withholding it from the defendants until the decision. The words of his commission were, ‘To collect and hold the money until, and subject to, the further order of the court.’ It was therefore a necessary consequence of the decree of dismissal, that the injunction should be dissolved, and that the receiver should be discharged and directed no longer to withhold the money from the possession of the defendants. The dissolution of the injunction were directions of course to be inserted in the decree of dismissal, unless the court should affirmatively order otherwise. The court below, it is true, in view of the appeal, might have made an order to continue the injunction and to retain the property in the re-

ceiver's hands; but that was a matter of discretion, to be exercised according to the justice of the case. If the judge did not see fit to exercise it, it was of course to add to the decree of dismissal its legal effect and consequence.”

Appellants cite this case as an authority for an alleged exception to the general rule “that the trial court is forbidden to make or do only those acts which will prejudice the rights of the appellant.”

No such rule is set forth in the *Hovey* case, nor in 3 *Corp. Jur.* 1265, the other authority cited. Certainly, Hovey was prejudiced by the court's action as the money which he was finally held entitled to receive, was gone and could not be recovered. There are numerous cases in which an appellant after the perfection of his appeal sought to have the court take action pending that appeal. (*First Nat. Bank of Miles City v. State Bank*, 131 Fed. 430; *Citizens Bank v. Farwell*, 56 Fed. 539; *Western Wheel Scraper Co. v. Drenner*, 79 Fed. 820; *Bronson v. R. R. Co.*, 1 Wall. 405, 509, 17 Law Ed. 616.) In each of these cases it was held that the court had no jurisdiction to proceed because the appeal was pending. If the trial court was forbidden to make or do *only* those acts which would *prejudice* the rights of the appellants, then each of these decisions are wrong because the appellants sought the relief themselves and surely would not be seeking relief that prejudiced their own rights.

Appellants further argue that the general rule prevails only in the absence of statute and then argue that 77-B (f) and 222 of chapter 10 impliedly have changed this general rule, *but they cite no cases that so hold.*

There are several answers to their arguments.

In the first place nowhere in 77-B is there any reference to appellate practice or procedure except for the summary appeals in fee cases and the Supreme Court has held that 77-B (k) has made §§ 24 and 25 of the Bankruptcy Act of 1898 applicable to appeals from orders in 77-B. (*O'Connor v. Mills*, 300 U. S. 26, 81 L. Ed. 483, 57 Sup. Ct. 381; *Meyer v. Denmore Granville Hotel Co.*, 297 U. S. 160, 162, 163, 80 L. Ed. 557, 559, 56 Sup. Ct. 405.) It would therefore, require a vast stretch of the imagination to hold that paragraph (f) impliedly modified appellate practice in force in all Anglo-Saxon jurisdictions for decades.

In the second place the purpose of 77-B (f) clearly appears in the records of Congress as we have previously discussed (*supra*, p. 27):

“To provide for matters not foreseen, to correct errors, mistakes, omissions, etc.”

There is not the slightest intimation that the purpose was to change long settled rules of appellate practice or to make substantial changes in the plan.

In the third place, as this court pointed out, in *First National Bank v. State National Bank*, 131 Fed. 431, 432:

“The cause must, of necessity, either be in the appellate or lower court. It cannot very well be in both courts at the same time. Such a course would lead to endless confusion.”

Counsel for appellants stated before the district court that they did not bring their petition on for hearing because it concerned points which were raised in the Du Bois appeal and “it would not be proper to bring the matter on before the court during the pendency of the appeal and

cause the court to pass upon certain matters which the circuit court of appeals had before it because . . . it is a course of confusion if two courts are passing upon the same matters at the same time.” [Tr. p. 23.]

Appellants (p. 19) cite *Sutherland Paper Co. v. Michigan Carton Co.*, 14 Fed. (2d) 700 as authority for the proposition “that where the appeal is from an interlocutory order, the trial court’s jurisdiction is suspended only so far as affects the points appealed from.”

This is not a correct statement of the holdings of the court. The decision of the district court, “14 Fed. (2d) 700,” states:

“The decree in question was not final but interlocutory and the appeal therefrom transferred from this court *only jurisdiction over such matters as were involved in such appeal.* . . . The right of appeal from such an interlocutory decree is derived solely from section 129 of the Judicial Code . . . and rests upon the ground that by said decree an injunction was granted against the defendant. Said section provides that such an appeal shall take precedence in the appellate court . . . and that the proceedings in other respects shall not be stayed during the pendency of such appeal unless otherwise ordered by the court, or the appellate court or a judge thereof. No such stay has been granted in this cause. It is clear that this court has jurisdiction to consider this petition.”

(The appellate court’s decision (29 Fed. (2d) 179) does not discuss this point.)

Appellants cannot blow hot and cold. Before the district court they attempted to excuse their lack of diligence by stating that they had not brought their proposal before

the court because “We feel that because that appeal concerned points which we raised in our modifications, it would not be proper to bring the matter on before the court during the pendency of the appeal and cause the court to pass upon certain matters which the Circuit Court of Appeals had before it; because just as Mr. Arndt has pointed out it is a source of confusion if two courts are passing upon the same matters at the same time.” [Tr. p. 23.]

Appellants cannot now argue before this court that the Du Bois appeal does not involve the points raised in the proposal for modification.

Appellants cite *First National Bank v. State National Bank*, 131 Fed. 430, as authority for the proposition “that the trial court’s jurisdiction is merely suspended not destroyed,” during the pendency of the appeal.

We have heretofore quoted (p. 24) in detail from the decision in the *First National Bank* case and there is nothing therein that supports appellants’ position. The case specifically holds that pending the appeal, the district court has no jurisdiction to proceed. After the appellate court has decided the case, and after the mandate has been received by the district court, all the district court can do is to follow the mandate of the appellate court. This was specifically held in *Rothschild v. Marshall* (C. C. A. 9th, 51 Fed. (2d) 897, discussed *supra*, p. 23), where this circuit court stated:

“While the case was on appeal in this court, the district court was without jurisdiction of the cause and therefore could not enter any order therein. After a decision by this court, the only step that the district court could take was to obey the mandate of this tribunal.”

E. Reply to Appellants' Fifth Point, "The Mandate of the Circuit Court of Appeals in the Du Bois Case When Issued Cannot Restrict the Power and Jurisdiction of the District Court to Supervise, Change and Modify the Debtor's Plan of Reorganization and Said Jurisdiction of the District Court Will Continue Until Consummation of the Plan and Entry of the Final Decree."

Appellants argue: a decree confirming a plan of reorganization is interlocutory; the District Court has jurisdiction to modify or rehear an interlocutory decree after affirmance thereof by the Circuit Court of Appeals; therefore the District Court herein has a right to modify the plan of reorganization after the decision by the District Court of Appeals and regardless of what the District Court of Appeals might have decided or said in its mandate.

There are three answers to this argument.

1st. The decree confirming the plan is not interlocutory.

2nd. Even if it were interlocutory, the power of the District Court to modify or rehear an interlocutory decree after affirmance of such decree of the Circuit Court of Appeals is subject to two conditions precedent. First, consent of the Circuit Court of Appeals must first be secured. Second, the party seeking the modification of or rehearing must have acted promptly and be free from negligence or laches. The appellants herein have not complied with either of these two conditions precedent.

3rd. Such a result as appellants contend for would render reorganizations impossible.

(a) *The Decree Confirming the Plan Is Not Interlocutory.*

Appellants refer to *Meyer v. Kenmore Granville Hotel Co.*, 297 U. S. 160, 56 S. Ct. 405, 80 L. Ed. 557, as authority for their claim that an order approving the plan of reorganization is an interlocutory order.

The court did not so hold.

The question there involved was whether an appeal from an order approving a plan of reorganization under 77-B could be taken as a matter of right under §25 (a) or whether it required the consent of the appellate court under § 24 (a) and (b).

The Supreme Court held that by 77-B (k) the appeal provisions of §§ 24 and 25 of the Bankruptcy Act were made applicable to 77-B appeals.

The appellants claimed that the order confirming the plan of reorganization was the equivalent of an order confirming or rejecting a composition with creditors, which was appealable as of right, under §25 as equivalent to an order granting or denying a discharge.

The Supreme Court pointed out that the order confirming the plan of reorganization, unlike a composition, did not operate as a discharge but that the debtor corporation was discharged by the "final" decree of 77-B (h).

The word "final" as used in 77-B (h) and §228 of the Chandler Act does not mean "final" as an antonym of "interlocutory" but means final as showing the chronological end of the case.

Under appellants' construction of the word "final" in 77-B (h) as an antonym of "interlocutory," every other decree and order in a 77-B proceeding would be interlocutory including orders allowing creditors' claims. This

is clearly not the case as the courts very carefully distinguish between an order which provisionally or contingently allows or rejects a claim, and one which unconditionally allows or rejects a claim. The first type of order is interlocutory and the second type is final.

Duryea Power Co. v. Sternbergh, 218 U. S. 299,
31 S. Ct. 25, 26, 54 L. Ed. 1047;

Robertson v. Edler (C. C. A. 9th), 78 Fed. (2d)
817.

Under appellants' construction of the word "final" as used in 77-B (h), both types of orders would be interlocutory.

77-B (g) states:

"(g) Binding effect of confirmation of plan. Upon such confirmation the provisions of the plan and of the order of confirmation shall be binding upon (1) the debtor, (2) all stockholders thereof, including those who have not, as well as those who have, accepted it, and (3) all creditors, secured or unsecured, whether or not accepted by the plan, and whether or not their claims shall have been filed and, if filed, whether or not approved, including creditors who have not, as well as those who have, accepted it."

Sec. 224 of the Chandler Act states:

"Upon confirmation of a plan (1) the plan and its provisions shall be binding upon the debtor, upon every other corporation issuing securities or acquiring property under the plan, and upon all creditors and stockholders, whether or not such creditors and stockholders are affected by the plan or have accepted it or have filed proofs of their claims or interests and whether or not such creditors and stockholders are

affected by the plan or have accepted it or have filed proofs of their claims or interests and whether or not their claims or interests have been scheduled or allowed or are allowable.”

These two sections (which appellants ignore) clearly shows that the decree confirming the plan is a final (as opposed to interlocutory) order.

(b) Even If It Were Interlocutory, the Power of the District Court to Modify or Rehear an Interlocutory Decree After Affirmance by Such Decree by the Circuit Court of Appeals Is Subject to Two Conditions Precedent. First, Consent of the Circuit Court of Appeals Must First Be Secured; Second, the Party Seeking the Relief Must Have Acted Promptly and Be Free From Negligence or Laches. The Appellants Herein Have Not Complied With Either Requirement.

The second answer to appellants' argument is that the jurisdiction of the District Court to modify or rehear an interlocutory decree has two conditions precedent.

1st. Consent of the Circuit Court of Appeals must be secured and,

2nd. The party seeking the relief must be free from negligence and laches.

The courts have uniformly held that consent of the appellate court must first be secured (*Rothschild v. Marshall* (C. C. A. 9th, 1931), 51 Fed. (2d) 897; *Rozwan v. Brake Testing Corp.* (C. C. A. 9th, 1931), 50 Fed. (2d) 380; *John Simmons Co. v. Grier*, 258 U. S. 82, 89; 42 Supr. Ct. 196, 199, 66 L. Ed. 475). The rule has been

set forth in the very cases relied upon by the appellants. (*John Simmons Co. v. Grier, Rothschild v. Marshall, supra.*) The rule applies whether it is the appellant who seeks modification or a non-appealing party. (*Rothschild v. Marshall, supra.*)

As against these authorities, appellants present only their own *ipse dixit* that “it cannot be argued that appellants should appeal to the circuit court of appeals to make or consider the proposed modifications.” (page 21.)

Furthermore the decisions are also uniform that due diligence must be employed. *Simmons Co. v. Grier Bros. Co., supra*, is one of the cases most strongly relied upon by appellants. In that case the Circuit Court of Appeals of the Third Circuit affirmed so much of the interlocutory decree below as awarded a permanent injunction as to unfair competition, but reversed so much of the decree as granted relief as to patent infringement, holding that claim 4 of the patent was invalid. Subsequently the Supreme Court in an appeal from the second circuit held that the patent was valid as to claim 4. Soon after the mandate of the Supreme Court decision was handed down, plaintiff petitioned the district court in the 3rd circuit for leave to file a review against the decree. This was refused, but without prejudice to an application to the Circuit Court of Appeals for leave to file such an application.

Application was then made before the third circuit and plaintiff was there granted leave to make the application to the district court.

The Supreme Court stated:

“By the 69th Equity Rule (226 U. S. 669, 57 L. Ed. 1582, 33 Sup. Ct. Rep. xxxviii) such a petition is in order at the term of the entry of the final de-

cree; and, of course, if an interlocutory decree be involved, a rehearing may be sought at any time before final decree, provided due diligence be employed, and a revision be otherwise consonant with equity.

“As the decree in question was entered pursuant to the mandate of an appellate court, proper deference to its authority required that a proceeding to reopen it, whether by rehearing or review, *should be first referred to that tribunal.* *Southam v. Russell*, 16 How. 547, 570, 571, 14 L. Ed. 1052 1062, 1063; *Re Potts*, 166 U. S. 263, 267, 41 L. Ed. 994, 995, 17 Sup. Ct. Rep. 520; *National Brake & Electric Co. v. Christensen*, 254 U. S. 425, 430, 431, 65 L. Ed. 341, 343, 41 Sup. Ct. Rep. 154.”

In the *Rothschild* case, this court said (p. 899):

“After decision by this court the only way open to plaintiff looking to a modification or change of the injunctive order . . . was by application to this court.”

The court discussed a bill of review and pointed out that it could be secured on two grounds (a) Error apparent on the face of the decree and (b) New matter or new evidence, and stated that in type (b) “it may not be filed in the lower court, even by a non-appelling party, without leave of the appellate court.” (p. 899.)

The court further pointed out (p. 899):

“A court is without power to grant relief if it appears that the party alleged to have been aggrieved could have, with proper diligence, presented the mistake complained of. Laches as well as positive fault is a bar to such relief.”

(c) Appellants Did Not Secure Consent From the Appellate Court to Have This Matter Heard In the District Court, Have Not Proceeded With Due Diligence and Have Been Guilty of Laches and Negligence.

The district court on Aug. 5, 1938, received in evidence the latest operating statements of the debtor [Du Bois, Tr. p. 218] and no claim is made in appellants' proposal that they rely on any facts that were not before the special master or the district judge before each made his respective decision.

Appellant could have presented their modifications to the district court prior to the first hearing of the district court on the plan in 1937.

They could have presented their proposed modifications by way of objections to the plan.

They could have presented their proposed modifications to the special master.

They could have presented the proposed modifications in the testimony of witness Rogers when he testified before the special master.

They could have filed exceptions to the special masters' report.

They could have appeared before the district court when the objections to the special masters' reports were heard.

They could have joined in the petition of du Bois to reopen the proceedings.

They did none of these things and they offered no explanation for their laches or lack of diligence.

The district court in its memorandum of Aug. 8, 1938, approving the plan stated [du Bois, Tr. p. 229]: "It further appearing that, with the exception of two objecting bondholders,* all interested parties who made their views known to the court were convinced that the proposed plan of reorganization is fair, equitable and feasible as to all parties affected thereby."

If the appellants herein felt that the plan was not fair, equitable or feasible or felt that it should be modified or changed, was not the trial court entitled to the benefit of their opinions, views, and testimony, if any they had, that might show that the plan was not fair, equitable or feasible or should be modified?

From April, 1937, to August, 1939, a period of 28 months, appellants were silent. That does not show due diligence but shows, as a matter of law, laches.

(d) Such a Result as Appellant Contends for Would Render Reorganization Impossible.

The effect of the interpretation sought by appellant would render the act ineffectual. Take for example the plan of organization herein involved. It provides that the various properties of Consolidated, including extensive California real estate holdings, are to be transferred to a new corporation in exchange for the latter's stocks and bonds. [Du Bois, Tr. p. 26 *et seq.*] This new corporation could only issue these stocks and bonds in California by securing a permit from the California Corporation Commissioner. Such permits usually provide that the securities can only be issued simultaneously with or after

*Neither of whom is among appellants herein.

the transfer of the consideration to the issuing corporation, and if real estate is involved, a policy of title insurance must accompany or precede the transfer.

No responsible title company would issue a policy of title insurance in a 77-B or Chapter 10 reorganization unless the order approving the reorganization has become final. But during the period the plan can be modified, it does not become final and the title company will not issue a policy, so the company will not be able to comply with the permit and the plan will never go into operation during that period.

Appellants' claim that the decree approving the plan is a mere interlocutory decree and that the so-called "final decree" of Sec. 228 of the Chandler Act and par. (h) of 77-B is the only final decree.

The "final decree" of 228 and 77-B (h) is made only upon the consummation of the plan, but the plan cannot be consummated until the securities of the new company have been issued in exchange of the assets of the old company.

If the court can materially change and modify the plan at any time until the "final decree" of Sec. 228 or 77-B(h) the title company will not issue its policy until such a decree has been entered. But until it issues its policy the requirements of the Corporation Commissioner cannot be complied with and therefore the securities cannot be issued and the plan can never be consummated. The plan cannot be consummated until it becomes final and according to appellants, it cannot become final, until the plan is consummated. Around and around we go in a circle, getting nowhere.

The mere statement of the absurd and impractical results of the appellants' contention shows the impossibility of adopting appellants' interpretation.

Appellants point out (p. 23) that dire calamities *might* occur between the date of the order of the district court confirming the plan of reorganization and the date of the "final" decree of 77B(h) and 228 of the Chandler Act, such as destruction of property, loss, depreciation, or appreciation, etc., of assets (they do not claim that any of such events occurred herein), and argue that therefore the district court must have the right, after the mandate of the Circuit Court has been received, to modify or change the plan or find that it is not "fair and equitable" after the Circuit Court has held to the contrary.

We agree that various calamities MIGHT happen—even worse than appellants point out, but we cannot follow appellants' deduction from that possibility. If dire calamities occurred that required a change of the plan approved by the Circuit Court, the procedure is simple—a petition is filed with the Circuit Court for leave to file a bill of review or a petition for rehearing. (*John Simmons Co. v. Grier*, 258 U. S. 82, 42 S. Ct. 196, 66 L. Ed. 475, cited by appellants in their brief; *Rothschild v. Marshall* (C. C. A. 9th), 51 Fed. (2d) 897, cited by appellants in their petition to the Circuit Court for leave to appeal; *National Brake and Electric Co. v. Christiansen*, 254 U. S. 425, 65 L. Ed. 341.)

Appellants have not followed such procedure and could not under the facts here involved.

VII.

**The Proposed Modifications Are Not Acceptable and
Would Merely Cause Delay.**

It is obvious that each of the three changes proposed by appellant would materially and adversely affect the interests of one or more of the groups which have accepted the present plan, and whose acceptance of the modifications would be required under the applicable provisions of the Bankruptcy Act. (*Bankruptcy Act*, 1898, §77B(f), *Bankruptcy Act*, 1938, §222 and 223.)

The proposals were opposed before the trial court and are being opposed here by representatives of the three debtor corporations, the two bondholders' committees, and the committee for preferred stockholders of Consolidated Rock Products Co. It is, therefore, evident that none of the proposals would be acceptable to the groups which have proposed and accepted the present plan. The only result of even considering the proposed modifications would be to delay still further the consummation of the plan which has been accepted and confirmed. It is submitted that where it is apparent that the proposals would be unacceptable to the required number of interested parties and therefore impossible of consummation, the proposals would be disapproved if ever heard on the merits. It has frequently been held that a reorganization petition will be dismissed where it appears that no plan of reorganization could be consummated.

In re City Bond and Mortgage Corporation, decided February 15, 1937, by the District Court for the Eastern District of Pennsylvania and reported in Commercial Clearing House Bankruptcy Law Service (2 ed.) at paragraph 4512; *O'Connor v. Mills*, 90 Fed. (2d) 665, C. C. A. 8th (1937);

Detroit Trust Co. v. Campbell River Timber Co., 98 Fed. (2d) 389, C. C. A. 9th (1938).

We submit that the principal of these decisions is applicable to the question now before the court, since it appears that the proposed modification would be unacceptable to those whose acceptance would be required, and that such proposals would only serve to delay consummation of a plan to which the large majority of all groups have already consented and which has been confirmed by the court.

Respectfully submitted,

STANLEY M. ARNDT,

Solicitor for Appellees, Edward E. Hatch and Louis Van Gelder, Composing the Consolidated Rock Products Co. Preferred Stockholders' Committee.

H. W. O'MELVENY,

LOUIS W. MYERS,

HOMER I. MITCHELL,

GRAHAM L. STERLING, JR.,

Solicitors for Appellees F. B. Badgley, Colonel R. E. Frith, T. Fenton Knight and Walter S. Taylor, Composing the Union Rock Company Bondholders' Protective Committee.

GIBSON, DUNN & CRUTCHER,

J. C. MACFARLAND,

THOMAS H. JOYCE,

FREDERIC H. STURDY,

Solicitors for Appellees Wm. D. Courtright, Fred L. Dreher, F. J. Gay, Alfred Ginoux and Guy Witter, Composing the Consumers Rock and Gravel Company, Inc., Bondholders' Protective Committee.

LATHAM & WATKINS,

PAUL R. WATKINS,

Solicitors for Appellee Consolidated Rock Products Co.

In the United States
Circuit Court of Appeals
For the Ninth Circuit. 205

In the Matter of
CONSOLIDATED ROCK PRODUCTS CO., a Delaware corporation,
UNION ROCK COMPANY, a corporation,
and
CONSUMERS ROCK & GRAVEL COMPANY, INC., a corporation,

Debtor,
Subsidiary,
Subsidiary.

ALFRED E. ROGERS, L. L. ROGERS, LUCY H. ROGERS, HORACE
V. GOODRICH, HENRY C. CHASE, JACK B. ROGERS, CARLTON
M. ROGERS, HOWARD M. ROGERS, ROGERS CORPORATION,
LTD., and CARLTON PROPERTIES, INC. LTD., owners and
holders of shares of common stock of CONSOLIDATED ROCK
PRODUCTS CO., and GEORGE A. ROGERS, INC. LTD., owner
and holder of bonds of UNION ROCK COMPANY,

Appellants,

vs.

CONSOLIDATED ROCK PRODUCTS CO., F. B. BADGLEY, R. E.
FRITH, T. FENTON KNIGHT and WALTER S. TAYLOR, com-
posing UNION ROCK COMPANY BONDHOLDERS' PROTEC-
TIVE COMMITTEE; WM. D. COURTWRIGHT, FRED L.
DREHER, F. J. GAY, ALFRED GINOUX and GUY WITTER,
composing CONSUMERS ROCK AND GRAVEL COMPANY, INC.,
BONDHOLDERS' PROTECTIVE COMMITTEE; EDWARD E.
HATCH and LOUIS VAN GELDER, composing PREFERRED
STOCKHOLDERS' COMMITTEE OF CONSOLIDATED ROCK
PRODUCTS CO. and E. BLOIS DUBOIS,

Appellees.

APPELLANTS' REPLY BRIEF.

CHASE, BARNES & CHASE,
LUCIUS K. CHASE,
THOMAS R. SUTTNER,
610 Title Insurance Building, Los Angeles,
Solicitors for Appellants.

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Appellants,

vs.

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composing CONSUMERS ROCK AND GRAVEL COMPANY, INC.,
BONDHOLDERS' PROTECTIVE COMMITTEE; EDWARD E.
HATCH and LOUIS VAN GELDER, composing PREFERRED
STOCKHOLDERS' COMMITTEE OF CONSOLIDATED ROCK
PRODUCTS CO. and E. BLOIS DUBOIS,
Appellees.

APPELLANTS' REPLY BRIEF.

There are several instances in which misunderstanding may arise from factual inaccuracies in appellees' brief.

On page two, appellees state that appellants have referred to the transcript in the DuBois appeal to set forth

some of the matters not contained in the transcript herein. Except for a reference to the petition for reorganization, appellants have not done so. Appellees' reliance upon that transcript is patently an attempt to incorporate, as support for the District Court's order, grounds which were not specified in the motion upon which the order was based.

On page three appellees say that appellants' statement of facts is not complete. Thereafter they purport to set out the complete series of steps taken in both this and the DuBois appeal but in so doing make no reference to the stipulation signed by all parties permitting the withdrawal and renewal of appellants' proposed modifications or to the order thereon made by the court. [App. Op. Br. p. 9; Tr. p. 12.]

The proceedings in connection with the proposal of modifications would have been fully outlined by appellees had they listed them as follows:

- August 26, 1938 Appellants herein, Rogers, *et al.*, file their proposal for changes and modifications. [Tr. p. 11.]
- September, 1938 Oral request made by attorneys for Debtor and Union and Consumers committees for withdrawal of proposal. [Tr. p. 12.] [Transcript does not show date.]
- September 7, 1938 Stipulation signed by *all* parties to this appeal including the solicitor for committee of Preferred Stockholders, Mr. Stanley Arndt (author of appellees' brief). Stipulation reads:

“It is stipulated that an order be made herein authorizing the withdrawal of said Proposal for Changes and Modification in Plan of Reorganization, without prejudice to a renewal thereof after the Order for Confirmation shall have been signed, and *that after such Order for Confirmation shall have been signed herein, such proposal may be renewed.*” [Tr. p. 12.] (Italics ours.)

September 8, 1938 Order entered permitting withdrawal of proposal “without prejudice to renew the same after an order has been made herein confirming the plan of reorganization, and that after an order has been made herein confirming the plan of reorganization as proposed, *said proponents shall be and are hereby authorized to renew their said proposal.*” [Tr. pp. 12-13.] (Italics ours.)

September 8, 1938 Order entered confirming plan of reorganization. [Tr. p. 12.]

September 17, 1938 Appellants' Proposal for Modification filed second time. [Tr. p. 13.]

Analysis of Appellees' Brief.

Appellees contend:

(1) That appellants have not intervened, therefore have no appealable interest;

(2) That the District Court has no power

(a) To modify the plan pending appeal,

(b) To modify the plan after the appeal;

(3) That appellants are guilty of laches;

(4) That even if the proposed modifications could be made, appellees would not accept them.

Various arguments are made in connection with these contentions, some of them repetitious, but in the main the above is a complete outline of appellees' position and appellants will reply in that order.

I.

Reply to Appellees' Contention That Appellants Have Not Intervened and Are Not Parties Entitled to Appeal.

1. An Order of Court Authorized the Filing of Appellants' Proposed Modifications.

1. Appellees contend that appellants are not in court, having failed to secure permission to intervene. (App. Br. pp. 13, 17-23.) So great is appellees' enthusiasm for this technical point that they have failed to consult the transcript to ascertain whether their contention is supported by the facts. They therefore fail to quote the stipulation which they all signed *expressly* consenting to appellants' appearance in the case and the District Court's order *expressly authorizing* appellants to file their proposed modifications. Both of these are set forth in appellants' opening brief, and surely must have been noticed by appellees, but nowhere in the 51 pages of saturnine criticism which constitutes their brief is any mention made of them. We repeat them here:

Stipulation, September 7, 1939, signed by all the appellees:

"It is stipulated that an order be made herein authorizing the withdrawal of said Proposal for Changes and Modifications in Plan of Reorganization, without prejudice to a renewal thereof after the Order for Confirmation shall have been signed, and that after such Order for Confirmation shall have been signed herein, such proposal may be renewed."

Order, September 8, 1939, signed by Harry A. Hollzer, District Judge:

“It is ordered that said Proposal be withdrawn, without prejudice to renew the same after an order has been made herein confirming the plan of reorganization, and that after an order has been made herein confirming the plan of reorganization as proposed, *said proponents shall be and are hereby authorized to renew their said proposal.*”

Assuming that permission is required by the statute, could any more permission be obtained than by this stipulation and order? Is anything clearer than the order of the District Judge that “*said proponents shall be and are hereby authorized to renew their said proposal*”? Perhaps appellees will say that the magic word “intervene” was not uttered by the court, but this is no more than the name for the act of obtaining authority to become a party and the act of obtaining permission is liberally construed by the courts. Thus, while ordinarily an order of court should be obtained, it is held that entry of an order is waived where the suit proceeds without objection, as it did here.

Perry v. Godbe, 82 Fed. 141.

While the fact that all the parties stipulated to the order authorizing appellants' appearance made unnecessary a formal “petition”, it should be noted that courts have inherent power to bring before it persons who are

not original parties whenever this is deemed necessary to the complete administration of justice.

Serr v. Biwabick Concrete Co. (Minn.), 278 N. W. 355, 117 A. L. R. 1009.

See also:

20 *R. C. L.* 694.

Intervention is defined as:

“The admission, by leave of the court, of a person not an original party to pending legal proceedings, by which such person becomes a party thereto for the protection of some right or interest alleged by him to be affected by such proceedings.”

2 *Bouvier's Law Dictionary*, 1675.

This is exactly what appellants have done so far as the proposed modifications are concerned. Appellants are in the position of parties who have been granted express leave of court (as well as the express leave of all other parties) to institute these very proceedings. Appellants' intervention is further strengthened by the District Court's recommendation that an appeal be taken to ascertain the extent of his jurisdiction after the determination of the DuBois appeal. [Tr. p. 26.]

The immediate and complete answer to appellees' contention is, therefore, that appellants have taken every step necessary to assure their standing in court.

II.

Reply to Appellees' Arguments Concerning the District Court's Jurisdiction Pending and After Appeal.

1. Jurisdiction to Modify During Appeal Is Not Necessarily Involved;
2. Jurisdiction to Modify After Appeal Is Essential to the District Court's Control;
3. Any Judgment or Decree May Be Modified by Consent.

1. Appellees seem to mistake appellants' main contention, which is the error of the District Court in *dismissing* the proposed modifications. Thus appellants have stated, at the conclusion of appellants' brief:

“Appellants do not complain because the District Court failed immediately to hear and pass upon the merits on the date of the hearing, even though appellants believe that the court had jurisdiction at that time to make such changes and modifications as it deemed proper. What appellants urge as the error of the District Court is the *dismissal* of appellants' proposal, foreclosing them once and for all from urging their grounds of modification even after the DuBois appeal has been decided and the trial court's jurisdiction restored.”

This is in conformity with the statement of the points relied on and the assignments of error, both of which stress the *dismissal*—the complete cutting off of appellants from a hearing on the proposed modifications. This being so, appellants have merely noted (App. Op. Br. p. 20),

that they believe the trial court had jurisdiction to hear the modifications even during appeal, had the court so desired. This, however, becomes moot as soon as the DuBois appeal is determined because there is then no "pending appeal."

In the District Court appellants suggested that the proposed modifications be heard after the DuBois appeal. While this suggestion could not deprive the court of jurisdiction appellants do not complain of the court's failure to hear the modifications at that time. The point of appellants' argument is that if the court had jurisdiction to hear the modifications during appeal, *a fortiori* it had jurisdiction after appeal.

2. For the most part, appellees' argument (Appellees' Brief, pp. 47-49) consists in a misplaced *reductio ad absurdum* in which the sole absurdity is found in the argument itself. Thus appellees argue that if the District Court may modify the plan after affirmance on appeal, no plan could ever be consummated. They forget that the statute expressly permits such modification after confirmation and that the affirmance of the order adds nothing to its stature. (App. Op. Br. p. 23.) In other words, the plan is "confirmed" by the trial court and after appeal it is still "confirmed" and nothing more.

Reason supports the need for the right to modify at any time. The possibilities suggested in appellants' opening brief are only a few of the many which are called to the mind. Whenever the equities of the situation are such as to call for modification, and consent can be obtained thereto, the court of necessity must have the right to make such modifications. A plan of reorganization is, after all, only a plan—problems may, and frequently do,

appear which were never envisioned by the draftsmen and when such appear, modification is required.

Appellees make the further serious error of contending that a decree of confirmation is "binding" willy-nilly, without regard to the steps taken to consummate it. Thus they set forth (Appellees' Brief, p. 42) Section 77B (9) and Section 224 of the Chandler Act, both of which provide that on confirmation of the plan its provisions shall be binding upon all creditors and stockholders, etc. But, we ask, what happens to reorganizations where the plans are never consummated even though confirmed? Is a stockholder bound by a confirmation of a plan never consummated? We know of such situations, and in each of them the order of consummation was vacated and the reorganization started all over again. *Confirmation is nothing without consummation.* Bondholders and stockholders may consent, the court may confirm, and the committees may seek to carry out the plan but no ultimate conclusion is reached until the reorganized corporation functions under the final decree, after consummation has been had. The argument that under the Corporate Securities Act securities cannot be issued until a policy of title insurance is issued and that no policy can be issued if a plan can be modified is absurd. Section 77B has allowed modification after confirmation ever since its enactment in 1933 and, so far as we know, title insurance companies have been writing policies all that time. Every permit issued by the Commissioner of Corporations contains this clause:

"The securities herein permitted to be sold shall not be executed and delivered until the plan of reorganization set forth in the application shall have been confirmed by order of the District Court of the

United States, for the Southern District of California, Central Division, in the proceedings now pending before said Court.”

thus placing the burden where it belongs—on the District Court. During all this time title insurance policies have contained exceptions in favor of the issuer in the event 77B is declared unconstitutional but without preventing the issuance of securities or the confirmation of plans. So long as their premiums are paid, title insurance companies will continue to write policies.

Appellees contend that an order confirming a plan is not interlocutory but cite no authority holding that it is not. In enacting Section 77B Congress did not specifically term the order of confirmation as “interlocutory” but in at least one similar reorganization statute it has. This is Section 83 of the Bankruptcy Act dealing with municipal debt readjustment. Here the statute provides:

“e. At the conclusion of the hearing, the judge shall make written findings of fact and his conclusions of law thereon, and shall enter an *interlocutory* decree confirming the plan if satisfied that (1) it is fair, equitable, and for the best interests of the creditors and does not discriminate unfairly in favor of any creditor or class of creditors; (2) complies with the provisions of this chapter; (3) has been accepted and approved as required by the provisions of subdivision (d) of this section; (4) all amounts to be paid by the petitioner for services or expenses incident to the composition have been fully disclosed

and are reasonable; (5) the offer of the plan and its acceptance are in good faith; and (6) the petitioner is authorized by law, to take all action necessary to be taken by it to carry out the plan. If not so satisfied, the judge shall enter an order dismissing the proceeding.” (Italics ours.)

The decree termed “interlocutory” in Section 83 is identical with the decree of confirmation in 77B and a comparison shows that the same objects and purposes are accomplished by each.

So far as consent of the appellate court is concerned, appellants do not concede that the statute requires it. But even if it does, that is a question to be disposed of *after* the DuBois appeal has been decided. It was not necessary to seek the Circuit Court of Appeals’ consent when appellants proposed these modifications for there was then no appeal. If it is deemed essential that such consent be obtained *after* the appeal is concluded, it will be sought then.

3. In their defense of that which they term “the appellate practice in force in all Anglo-Saxon jurisdictions” appellees have forgotten one of the fundamental rules of all jurisdictions, which is well stated in the following quotation from 3 American Jurisprudence 731:

“The parties to the litigation, legally competent to act and sue for themselves alone, may disregard in whole or in part the directions of the reviewing court, even though that court may specifically direct what

proceedings are to be taken in the lower court to which the case is remanded or the character of the judgment to be entered, may settle the litigation in any manner they may agree to, and may ask the lower court to enter as its judgment the agreements they make.”

77B (f), in providing for modification of the plan after confirmation, provides a method for obtaining the consent of creditors and stockholders by giving them opportunity to withdraw. If sufficient numbers withdraw their acceptances, consent has not been obtained and the modifications are not made. But if the creditors and stockholders signify assent by failure to withdraw, the modifications become operative *and thus the plan has been modified by the agreement of the parties which they may always make regardless of the decree of the appellate court.*

By this appeal appellants are striving to maintain their right (1) to propose modifications, (2) to have the District Judge pass on their merits, *i.e.*, whether they shall be presented to the creditors and stockholders, and (3) have the stockholders and creditors given an opportunity to accept or reject them. When the modifications have been made they will have been *voluntary*, not coerced, as appellees seem to infer. Thus the problem of jurisdiction in the District Court after appeal is not so broad as appellees contend. The foundations of jurisprudence will not crumble by a reversal of the District Court's order dismissing appellants' proposals. Such a reversal will merely permit an orderly procedure for determination of the fairness of the proposals and whether they will be accepted by the other creditors and stockholders.

III.

Reply to Appellees' Argument That Appellants Have
Been Guilty of Laches.

This most surprising contention is utterly without foundation. The motion to dismiss, prepared by counsel for the Preferred Stockholders' Committee, was made on the following grounds:

“Said motion will be based upon the ground that the Court has no jurisdiction in the matter in that the plan of reorganization which it is proposed to change or modify is now on appeal, the term in which said plan of reorganization was approved has expired, the appeal has been perfected, briefs have been filed by the parties herein, and the above entitled Court has no jurisdiction in the matter.” [Tr. p. 21.]

Laches is a defense which must be pleaded and cannot be raised for the first time on appeal.

Ferryboatmen's Union of California v. Northwestern Pac. R. Co., 84 F. (2d) 773 (C. C. A. 9th);

American Merchant Marine Ins. Co. v. Tremaine, 269 Fed. 376 (C. C. A. 9th).

Nowhere in the motion is any attempt made to specify laches as a ground, nowhere in the order, prepared by appellees, and *which contains findings of fact*, is there any mention of laches or lack of diligence. There is no basis whatever for this contention, made for the first time on appeal; indeed, the record throughout the proceedings (see Appellees' Brief, pp. 3, 4, 12) shows the Rogers diligent in participation in all steps taken. The only distinction is that the Rogers group were then represented by Alfred E. Rogers, Esq., and they are now represented by present counsel.

The proposed modifications were filed within nine days after entry of the order of confirmation [Tr. p. 13], a fact which indicates speed and not laches.

IV.

Reply to Appellees' Argument That They Will Not
Accept the Proposed Modifications.

This contention has no place in this appeal, which has for its sole concern the question of jurisdiction. Appellees surely cannot speak for each and all of the individual bondholders and stockholders who have filed acceptances in these proceedings. If the trial court, after a hearing, decides that one or all of appellants' proposals should be submitted to the creditors and stockholders who have heretofore signified their assent, it will be time enough for appellees to make their recommendations.

Conclusion.

Appellees' position is ostensibly one of solicitude for the rights of DuBois and his appeal, a viewpoint apparently not shared by DuBois, who has not joined in appellees' brief, although he is named and was served as an appellee.

Appellants respectfully submit that the statute gives them a right to be heard on the merits in the District Court, before or after appeal, and accordingly, that the order dismissing their proposed modifications should be reversed.

Respectfully submitted,

CHASE, BARNES & CHASE,

LUCIUS K. CHASE,

THOMAS R. SUTTNER,

Solicitors for Appellants.





